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Austria ... Sch 18	Indonesia .. Rp 2500	Portugal ... Esc 80
Bahrain .. Din 0 650	Italy ...... L 1300	S Arabia .. Rls 6 00
Belgium .... BFr 42	Japan Y550	Singapore . S$ 4 10
Canada ... C$1.00	Jordan ... Fils 500	Spain .... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark .. Dkr 7 25	Lebanon .. £L 8 00	Sweden .. Skr 6 50
Egypt .... E£1 00	Luxembourg . LFr.42	Switzerland SFr 2.20
Finland .. Fmk 6 00	Malaysia .. Rm 4 25	Taiwan ... NT $85
France .. FFr 6.00	Mexico .. Pes 300	Tunisia .. Din 0 600
Germany DM 2 20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2 50	U A E. ... Dh 6 50
Hong Kong . HK$ 12	Norway .. Nkr 6.00	U S A. $1.00
India .... Rup 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,812 Monday December 23 1985 D 8523 B

Military power behind the Marcos throne, Page 2

World news

Assam's new leader chosen

Law student Prafulla Kumar Mahanta, 32, a Hindu, was chosen by the Assam People's Front to be Chief Minister of the state. He said he would carry out an agreement with the federal government for the deportation of immigrants, mostly Moslems from Bangladesh.

Mr Mahanta will head a young cabinet with no previous experience of government.

Prime Minister Rajiv Gandhi said the result of last week's election in Assam – in which his Congress I Party was defeated by a party founded only three months ago *by student leaders – was a setback.* **Page 2**

Arms 'violations'

A secret presidential report to the US Congress alleges new violations of arms-control treaties by the Soviet *Union which could yield* military gains to Moscow, the New York Times reported.

Canadian threat

Canadian business leaders launched a campaign to persuade *the Government and public of the* threat posed by the swollen federal budget deficit to the country's economic prospects. **Page 2**

Fire controlled

Firemen in Naples contained a *huge fire which broke out at one of* Italy's largest oil storage depots after an explosion which killed at least three people.

Basques protest

Thousands of Basque nationalists demonstrated in Pamplona, northern Spain, in protest at the death of a Basque who disappeared while in civil guard custody.

Bonner denial

Yelena Bonner, wife of Soviet dissident Andrei Sakharov, denied that her weekend comments at a synagogue that the Soviet Union should allow all Jews to join their families abroad violated her pledge not to talk to reporters while in the West.

Zia speculation

President Zia ul-Haq called for a joint session of Pakistan's National Assembly and Senate, fuelling speculation that he might announce an end to more than eight years of martial law.

US aid forecast

US aid for anti-Communist rebels in Angola could resume within weeks as State Department resistance to involvement in the bush war crumbles under a conservative assault, Congressional and Administration sources said.

Uganda peace move

A five-man Kenyan military team arrived in Uganda to help monitor a cease-fire between the Uganda Army *and the* rebel National Resistance Army.

Pull-out deadline

Mali gave Burkina Faso (formerly Upper Volta) a week to withdraw troops and census-takers it sent into a disputed border *area last week.* Burkina Faso said it would defend itself if necessary.

Fir sales ban

Street-corner Christmas tree vendors and anyone buying from them would be prosecuted, *the Addis* Ababa, Ethiopia, city council warned in a move to curb deforestation and drought. The council said the fir trees could be legally bought from government-controlled centres.

Swedish victory

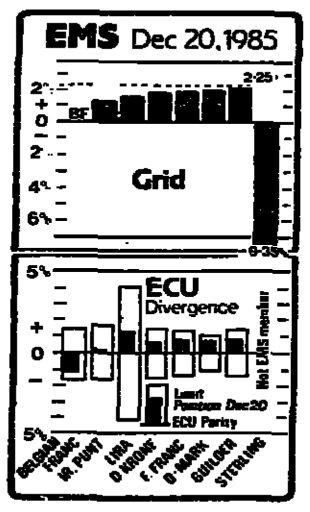
Sweden retained the Davis Cup by beating West Germany 3-2. Stefan Edberg defeated Michael Westphal 3-6, 7-5, 6-4, 6-3 in the deciding singles.

Business summary

BL will keep stake in floated Unipart

UNIPART, the spare parts distribution business within Britain's state-owned BL motor vehicle group, is to be sold within six months to a consortium of financial institutions, but BL will retain a substantial minority shareholding. **Page 16**

EUROPEAN Monetary System: The Belgian franc came under renewed pressure in the EMS last week and the Belgian central bank reacted by increasing the discount rate to 9¾ per cent from 8¾ per cent. Earlier, the central bank *had spent the* equivalent of BFr 2.8bn in support of the franc. Although still within its divergence limit, the Belgian franc was pushed weaker as funds switched out of the US dollar and into the D-Mark, thus putting further strains on the weaker members and increasing speculation about a currency realignment. So far there has been a marked reluctance to take such a course before next year's general election in France.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO share prices fell in light trading on Saturday. The Nikkei average closed 48.30 down at 12,962.79. **Leading Prices, Page 29**

HUNGARY'S economic plan for 1986 calls for an increase in the na*tional income, a measure roughly* equal to gross national product, of between 2.3 and 2.7 per cent, the official MTI news agency reported.

VENEZUELAN private sector is likely to receive about $6.5bn in foreign debt at a preferential rate by the year-end deadline for appropriating funds. **Page 19**

TEXTILES: European Commission proposed that Multi-Fibre Arrangement should be extended for a minimum of four years when it expires at the end of July. **Page 16**

MANVILLE, US company forced into bankruptcy by asbestos-related health claims, has reached agreement on the establishment of a trust fund which could pay up to $2.5bn to asbestosis victims during the next 25 years. **Page 19**

UNION CARBIDE, US chemical company being sued over *fatal gas* leak at its plant in Bhopal, India, claimed in court papers lodged in New York that it had little control over either the design or operation of the plant. **Page 2**

JAPAN LINES, financially strapped tanker operator and the world's second biggest after Sanko Steamship, is to be asked by the Tokyo stock exchange to give a detailed explanation of its drastic restructuring programme announced last week. **Page 19**

GENERAL MILLS, US food *group* which last month spun off its toy and fashion business to shareholders, reported a fall in net profits to $46m for the second quarter to November 24, against a restated $55.6m. **Page 19**

Westland chairman doubts work pledge in European offer

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

SIR JOHN CUCKNEY, chairman of Westland, Britain's only helicopter producer, yesterday questioned the promises of future work offered in the rescue package for his company put forward by a European consortium of five aerospace groups.

He also repeated his strong criticism of the behaviour of Britain's Ministry of Defence.

Sir John's remarks were made on BBC radio ahead of Westland board's meeting today to consider the European offer. Attempts were also being made in London to lower the political temperature between Conservative Government ministers after open divisions of the past 10 days.

The European consortium, led by Britain's GEC and British Aerospace, and including West Germany's Messerschmitt-Bölkow-Blohm, Aérospatiale of France and Italy's Agusta, unveiled its package on Friday as an alternative to the Sikorsky-Fiat plan backed by the Westland board earlier last week.

Sir John said the latest European offer represented a modification of the earlier proposals which "marginally improved all the terms." But he said there were a number of aspects which required clarification.

He said the company's decision would depend on "advice from its financial advisers, the deliberations of the board and when we have got clarification of the outstanding points." By the time of the extraordinary general meeting on January 14, however, there would be "a recommendation from the board, either reaffirmation of our present recommendation or a revision," Sir John said.

Sir John also queried a number of the undertakings about future work made by the European consortium, noting that commitments had been made without any guarantees. He said there was some inconsistency between what the British Defence Ministry was now offering in relation to orders for Westland's Sea King helicopters and previous remarks which, he said, was "an interesting development in a commercial private sector situation."

He also attacked the threat by Aérospatiale to withdraw sub-contracting work from Westland if the Sikorsky-Fiat deal went through. He said there was a contractual obligation and did not think the French threat would go down well with the workforce, adding: "I personally dislike bullying, whether ministerial or foreign."

The main ministerial protagonists, Mr Leon Brittan, the Trade and Industry Secretary, and Mr Michael Heseltine, the Defence Secretary, yesterday attempted to obey the letter, if not entirely the spirit, of last Thursday's Cabinet agreement not to express any public preference for either of the options.

Both ministers also paid heed to the warning by Mrs Margaret Thatcher, the Prime Minister, that both of them should take the heat out of any public airing of differences in view of the possible political damage to the Conservative Government.

Interviewed on the same programme as Sir John, Mr Brittan – who supports the Fiat-Sikorsky rescue offer – twice linked Mrs Thatcher with himself in arguing that the decision was one for the company to reach. He denied a weekend press report that he had changed his own mind.

Mr Heseltine's allies are now confident that they have regained the initiative, and he has strengthened his position, following the publication of what they see as the more attractive European offer. MPs with defence interests were quick to seize on a report of involvement by

Continued on Page 16

Editorial comment, Page 14

'Coup plotters' named as Lagos arrests over 300

BY MICHAEL HOLMAN, AFRICA EDITOR, IN LONDON

ARRESTS in the wake of Nigeria's foiled coup attempt have exceeded 300 as the military Government of President Ibrahim Babangida continued to round up suspects in the armed forces over the weekend.

As further evidence of the plot emerged, together with the names of alleged ringleaders, it became clear that forces loyal to the President detected a widespread conspiracy which, had it succeeded, would almost certainly have led to a bloody conflict between opposing *factions in the army.*

Sources close to the Government yesterday described the plotters as a group of aggrieved officers whose motives stemmed from a combination of loyalty to the former head of state, General Muhammadu Buhari, deposed in a coup last August, resentment at what they saw as favouritism in the appointment to senior posts of a group of young officers close to President Babangida, and personal ambitions.

The plotters intended to assassinate President Babangida last Thursday, say the sources. It was preempted when arrests across the country began on Tuesday of that week.

The plotters believed *they had an* opportunity to capitalise on the widespread opposition to the terms for an agreement with the International Monetary Fund (IMF) for a $2.4bn loan. Labour and student groups had been planning anti-IMF strikes, and the plotters intended to *intervene on the pretext of restor*ing stability to the country.

Opposition to a Fund agreement emerged in the course of a national debate initiated soon after President Babangida took office in August. But after consultations with the powerful Presidential Advisory Committee, General Babangida announced last month that Nigeria would seek a solution to its economic difficulties without assistance from the IMF.

Although some of the key participants in the plot involved senior officers from northern military bases, government sources rejected suggestions that it was a regionally inspired conspiracy, or that it was sponsored by the so-called *Kaduna* mafia, an influential group of northern businessmen.

Leading figures alleged to have been involved, and who are now under arrest, include:

Brigadier Nassarrawa from Sokoto state, commandant of the School of Infantry in Kaduna, who had been fourth in the military hierarchy under General Buhari;

Colonel Salihu Ibrahim, former general officer commanding the Third Division, with headquarters at Jos, Plateau state, but posted to the military staff college at Zaria following the Babangida coup. A member of the ruling Supreme Mil-

Continued on Page 16

Big loss on oil speculation for another Austrian state group

BY PATRICK BLUM IN VIENNA

THE Austrian Government has *been shaken by the disclosure that* another state-owned company has made substantial losses through speculative oil deals despite recent government orders expressly forbidding state companies from speculating on the oil markets.

Chancellor Fred Sinowatz hastily *returned to Vienna on Saturday* from Carinthia where he was to spend his Christmas holiday to hold an emergency Cabinet meeting after revelations that Merx, a trading subsidiary of the state-owned chemicals group Chemie Linz, had lost Sch 550m ($31m) since the end of November through speculation on the international oil market. Officials say that the losses were the result of speculation on oil futures and in physical oil.

The new crisis came less than three weeks after the announcement that Voest-Alpine would have *a deficit on Sch 5.7bn including a* Sch 2.4bn loss at Voest-Alpine Intertrading, its trading subsidiary, after similar disastrous oil speculation.

Two executive directors of Merx have been sacked and the board of Chemie Linz is to meet today to as*sess the damage. As in the case of* Voest-Alpine, news of Merx's deficit emerged bit by bit rising from projected losses of about Sch 90m then Sch 300m and finally Sch 550m. Mr Ferdinand Lacina, the minister responsible for the nationalised industries, appears to have been left *in the dark until the last moment.*

Officials say that Merx appears to have intensified its oil transactions shortly after the disclosures about Voest-Alpine Intertrading. It highlights the Government's continued failure to control effectively the activities of state-owned companies.

Voest-Alpine's crisis shocked public opinion and damaged the Government's standing. *According to a* poll published at the weekend by the Institut für Markt und Sozialanalysen, the conservative opposition People's Party leads the ruling Socialists for the first time for more *than a year with support from 45.7* per cent of those polled, against 45.2 per cent for the Socialists. The small right-wing Freedom Party, in coalition with the Socialists, received only 3.6 per cent of the vote and the Greens 4.8 per cent.

Dr Alois Mock, the People's Party *leader, has called for Mr Lacina's* resignation and for an early general election. "There must also be general reorganisation of the state industries," he added.

Chancellor Sinowatz has rejected calls for Mr Lacina's resignation, but the crisis is another serious blow to the embattled coalition Government and to the state industries.

The crisis also puts a question mark over the appointment of Mr Rudolf Kirchweger as new director and troubleshooter for Voest-Alpine. Until his appointment on November 30, Mr Kirchweger was chief executive of Chemie Linz, which is at the centre of the new row.

Merx's two former directors say that Chemie Linz was informed daily about their company's oil trading activities. The Government says that after the Voest-Alpine crisis it had put a Sch 40m limit on oil transactions by Merx. The directors say that the Sch 40m limit was only on single transactions and that they were free to carry out as many as 15 such transactions which gave an upper limit of Sch 600m.

Winnie Mandela seized in Soweto

By Jim Jones in Johannesburg

POLICE yesterday arrested Mrs Winnie Mandela, the wife of the imprisoned black South African leader, Mr Nelson Mandela, after she had refused to comply with an order banning her from Johannesburg and the black township of Soweto.

The arrest has brought to a head the growing confrontation between Mrs Mandela, who has become a powerful voice in her own right for the banned African National Congress (ANC) led by her jailed husband, and the Government, which has been increasingly angered by her denunciations of apartheid.

The Government will now have to choose between pressing charges against Mrs Mandela and risk both a violent reaction in the country's troubled black townships as well as condemnation from Western governments, or let her go free to continue what has become a campaign of civil disobedience.

Should Mrs Mandela be jailed, it could have serious consequences for the Government's efforts to reschedule part of the country's $24bn foreign debt. Creditor banks are understood to have made it clear that their response depends in part on progress *towards political* reform in the country, and any action against Mrs Mandela would be seen as a setback.

Police said yesterday that Mrs Mandela was being detained at a police station at Krugersdorp, near Johannesburg, and was likely to appear in court "within the next two or three days."

Mrs Mandela's arrest followed the relaxation of a banning order which for the past eight years had confined her to the remote Orange Free State town of Brandfort. Following a petrol bomb attack on her *home earlier this year, Mrs Mande*la broke the order and left Brandfort for Johannesburg, where she has played an increasingly active political role.

On Saturday, Mr Louis le Grange, Minister of Law and Order, amended her banning order and allowed her legally to leave Brandfort. The relaxation, however, was accompanied by an order excluding her from the Johannesburg and Roodepoort magisterial districts, which include Soweto.

On Saturday afternoon, police forcibly evicted Mrs Mandela from her Soweto home, and took her to a hotel outside Johannesburg. But she defied the order and returned to Soweto. Yesterday morning police dragged her shouting and protesting from her home.

There has been widespread spec-

Continued on Page 16

Brazil may resume links with IMF

BY PETER MONTAGNON IN LONDON

BRAZIL has given a strong hint to its commercial bank creditors that it may be prepared to reconsider its refusal to deal with the International Monetary Fund.

It has told creditors it will deliver details of its new economic programme to the IMF before the end of the year. Thereafter, Mr Dilson Funaro, Finance Minister, "will be in a position to renew his contacts with the managing director of the Fund, Mr Jacques de Larosiere."

The message is contained in a telex sent by Mr Antonio de Padua Seixas, external debt director of the central bank, to all creditors, after two days of talks with leading banks in New York last week.

At the talks the committee of leading banks, chaired by Citibank, impressed on Brazil its reluctance to endorse any form of debt restructuring without some degree of IMF involvement, although the scope of such *possible IMF participation* was left unclear.

Bankers who received the telex at the weekend interpret it as meaning that that message has sunk in, although the telex does not make any firm commitments on the IMF issue and it is widely accepted *that Brazil has limited its own free*dom of action after emphatic public statements by top officials that IMF involvement in the country's economic policy-making was to cease.

One hope now is that a way can be found for the IMF to have just enough say in Brazilian affairs to provide comfort and guidance to bank creditors without at the same time forcing an about-face that would embarrass the Government of President Jose Sarney.

With a trade surplus in 1986 now officially forecast at $12.5bn, Brazil has argued that it no longer needs IMF assistance, but bank creditors are worried that inflation may accelerate in the aftermath of the current *mini-boom,* upsetting the country's external account in 1987.

That is despite the new economic programme, which has recently been approved by Congress and calls for the Government's operation deficit to fall to 0 5 per cent of gross domestic product in 1986 from 2.8 per cent this year.

Against that background, bankers say they would need the go-ahead of the IMF before endorsing any new debt restructuring. Brazil has asked them this month to restructure debt falling due in 1985 and 1986.

Talks on that request are to resume *early in the new year* in New York, but it has still not been decided whether the restructuring will take the form of a medium-term rescheduling or a simple extension of debt maturities up till the end of 1986.

High on the agenda in the new year will be a further temporary extension of maturing debt to become effective after present arrangements expire on January 17.

Iran may switch car contract to Nissan

BY JOHN GRIFFITHS IN LONDON

THE IRANIAN Government is understood to be close to signing a deal with Nissan of Japan to replace the Peykan car currently supplied by Peugeot Talbot of the UK.

The contract, understood to be worth about $350m, provides for Nissan to re-equip the Iran National car plant near Tehran, where the Peykan is currently assembled, to produce 12,000 Nissan-based saloon cars a month.

Neither Nissan nor Peugeot Talbot could confirm yesterday that a deal was imminent.

Talbot's contract with Iran National expired in February, 1984, since when it has been supplying Peykans on an ad hoc basis when letters of credit have been made available.

For much of that period it has also been negotiating with the Iranians on providing a possible successor to the Peykan.

Peugeot Talbot knew it had a main Japanese rival for the business, but has been unaware of its identity. Several other Japanese companies, including Toyota, have also sought the contract, as well as Fiat and Volkswagen.

Nissan recently concluded a deal with the Iranian Heavy Industries Ministry for the local manufacture of its Patrol four-wheel-drive vehicle and pick-ups, intended to have all their components produced within Iran by the end of five years.

Peugeot Talbot has not been told that it is out of the running, although its last real contract on the

Continued on Page 16

CONTENTS

International 2, 3
Companies 19
World Trade 4
Britain 5–7
Companies 22

Arts – Reviews 13
– World Guide 13
Construction 28
Crossword 23
Currencies 32
Editorial comment 14

Financial futures 32
Insurance 28
Intl. capital markets 17–19
Letters 15
Lex 16
Lombard 15
Management 8
Men and Matters 14
Money markets 32
Stock markets – Bourses 29
Wall St 30–31
London 26–27
Technology 8
Unit Trusts 23–25
Weather 16

France: dreamer with a past looks to the future 3
Technology: fax of life Japanese style 8
Christmas cards: tidings of comfort and joy 14
Editorial comment: Westland; trade unions 14
TV in Britain: why Peacock should not plug in 15
Lombard: old-fashioned Europeans 15
Lex: paper chains for the New Year; stores 16
Portuguese industry: Survey 9–12

Assam student elected as Chief Minister

BY JOHN ELLIOTT IN NEW DELHI

THE ASSAM regional party, the Asom Gana Parishad, which won a narrow majority over Mr Rajid Gandhi's Congress I Party in state elections last Monday, yesterday elected Mr Prafulla Kumar Mahanta, a 32-year-old law student, as its Chief Minister.

The party, founded three months ago by leaders of a students' movement, yesterday started to form a government in the north-eastern state. Mr Mahanta will head a young Cabinet which has no previous experience of government.

It is only the second time since India's independence 38 years ago that the ruling Congress I Party has not been in power in Assam.

Mr Mahanta faces the difficult task of maintaining law and order in a turbulent remote area of India bordered by Bhutan, China, Burma and Bangladesh and of dealing with the politically sensitive issue of tens of thousands Bangladeshi refugees who have allegedly moved into Assam in the past 20 years.

This issue formed the basis of the student agitation, which lasted six years and was led by Mr Mahanta as president of the All Assam Students Union.

Mr Gandhi admitted at the wekend that the result in which Congress I won only 25 seats compared with the Assam Council's 64, was a setback for his party.

But he can justifiably claim political credit for having negotiated a settlement of the Assam unrest in which 3,000 people died when elections were last held two years ago.

As in the Punjab three months ago, Mr Gandhi has produced a political solution for one of India's most intractible regional problems, even though he has lost subsequent elections in both states.

Now seven states in India, accounting for one-third of the country's 740m population, are governed by political parties basically opposed to Mr Gandhi's Congress

Mr Gandhi now has to face mammoth centenary celebrations of his Congress I Party in Bombay this week where he faces criticism by older Congress activists opposed to the speed with which he is changing the style of government in India.

Airbus may seek UK aid for new airliners

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

THE BRITISH Government is likely to be asked soon for financial aid for launching a new series of airliners proposed by Airbus Industrie of Western Europe – the short-to-medium-range TA-9 and the long-range TA-11.

The request would be channelled through British Aerospace (BAe), already a 20 per cent shareholder in Airbus on behalf of the UK Government, and builder of the wings for all Airbus types so far. BAe would like to build the wings for both the TA-9 and the TA-11.

Airbus itself is now discussing both projects as a package of developments with airlines worldwide. It has estimated combined development costs at about $2.5bn, with the money likely to be sought from existing government shareholders in Airbus, as well as from any other investors Airbus can find.

The Government, through the Department of Trade and Industry, has not yet had any formal approach on the matter, although it is believed to be aware of the possibility, through informal discussions.

On the basis of its existing 20 per cent stake, the UK as a whole may well be asked by Airbus to find up to $500m. How that would be divided between government launching aid, BAe itself, and others such as component and equipment suppliers coming in as risk-sharing contractors, is as yet undetermined.

The fear is that if the UK does not participate in either venture, then it might miss sharing in development and production, with the wing contract going to manufacturers in West Germany, the US or even Spain. Worldwide, aerospace companies are interested in picking up business that any existing Airbus partner does not want or cannot afford.

A feature of the Airbus plan is that the two new aircraft would be developed together, with a great proportion of common parts – wings, electronics and other equipment, and perhaps also common fuselages.

Airbus identified the two aircraft as the best future extensions of its product line in competition with its two rivals, Boeing and McDonnell Douglas.

The twin-engined, short-to-medium-range TA-9 would seat up to 330 passengers, while the four-engined TA-11 would be for very long ranges, up to 6,500 nautical miles, with 250 passengers, replacing DC-10s and Lockheed TriStars.

Earlier, the idea was to develop one or the other, but the latest thinking is that by developing the two aircraft as a package, investment is substantially reduced because of the high proportion of common parts that could be used.

The main supervisory board of Airbus will consider approval for the new ventures in the new year. The timing is critical because US competition is threatening to become intense.

Boeing is making vigorous efforts to sell its 767 for short-to-medium ranges, while McDonnell Douglas is expected some time in 1986 to launch its own MD-11 as a DC-10 replacement to rival the TA-11

Interest in both the TA-9 and TA-11 worldwide is strong. In Western Europe there is more interest in the TA-9, but Lufthansa particularly would like the TA-11 and is pushing for a launch decision by the end of February, otherwise it may have to adopt the rival MD-11.

In the Airbus board decides to go ahead over the next two months, it will ask its shareholders to talk formally to their governments on financial support, while pressing ahead with design and marketing.

Carbide says it had little control over Bhopal plant

BY TERRY DODSWORTH IN NEW YORK

UNION CARBIDE, the US chemicals company being sued for damages over the fatal gas leak at its plant in Bhopal, India, has claimed in court papers lodged in New York that it had little control over the design or the running of the plant.

It also contended that the Indian Government's recent claim that the courts in India were not adequate to deal with the case was "absurd."

The Indian authorities' attempts to have the case tried in the US were aimed at "finding a forum which is likely to provide the highest recovery and give its adversary the most limited access to evidence with which to defend itself," the company said.

The claims and counter-claims are part of the skirmishing between the two sides over the initial issue of where the damages claims for the Bhopal victims should be heard.

Union Carbide believes the correct location under international legal precedents should be India. Lawyers for the victims want the case tried in the US.

The main interest in the Union Carbide documents is likely to centre on the company's contention that its ownership of a little over 50 per cent in its Indian subsidiary gave it very little control.

Israelis hope end of spy probe will defuse row

BY TONY WALKER IN JERUSALEM

ISRAELI OFFICIALS expressed satisfaction at the weekend that a row with the US over a spying incident, had been resolved. The officials were referring to a State Department announcement that the US had concluded its investigation into the affair.

A senior government spokesman would not comment, however, on reports that Rafi Eitan, the Israeli intelligence officer, responsible for the clumsy spying operation is being retired. Mr Eitan, a former Mossad operations chief, headed an Israeli defence department unit that allegedly recruited Jonathan Jay Pollard, an employee of US naval intelligence, to spy for Israel.

The episode caused serious tension between the US and Israel, coinciding as it did with growing American concern about security breaches in its intelligence services. Mr Pollard was arrested outside the Israeli Embassy, in Washington on November 21.

The State Department announcement followed a visit to Israel by an American investigating team, headed by Mr Abraham Sofaer, the department's legal adviser, whose mission was to get to the bottom of the affair.

According to the US statement, Israel had returned documents in its possession relating to the Pollard case. Israel had also disbanded the unit for scientific liaison responsible for the espionage operation.

Mr Pollard and his wife, Anne Henderson-Pollard, are in a Washington jail, and have been denied bail. A US Grand Jury has been hearing evidence, in camera.

● A printing company clerk has become the eleventh person arrested on spying charges in the US this year in a counter-espionage crackdown which unearthed three other alleged spies last month alone, Reuter reports from Washington.

A Federal Bureau of Investigation statement last night accused Randy Jeffries, 26, of stealing secret documents from his printing company which carries out work for the Government and trying to pass them to Soviet officials.

China envoy draws mixed response from HK

By David Dodwell in Hong Kong

JI PENGFEI, China's state councillor with special responsibility for Hong Kong and Macao, yesterday ended an historic 12-day visit to the British colony with commentators split on the success of his visit.

Some argued that he should have said more to calm local unease about the future while others were relieved that he said nothing to heighten anxieties.

Those expecting Ji Pengfei to mark his visit to Hong Kong with comments from Peking's crystal ball were either perplexed or disappointed. But from his arrival almost two weeks ago, it has been clear that such expectations were over ambitious.

The Chinese elder statesman, who is the most senior mainland official to visit Hong Kong since 1949, arrived saying he intended to listen, and that is by and large what he did.

Hong Kong Government officials saw it as the first of many visits by influential officials in Peking, and the beginning of a process by which suspicions can be reduced, and a better understanding gained by those in power in the Chinese capital about the local community.

Sir Edward Youde, Hong Kong's Governor, said after Ji's departure that the 75-year-old former foreign minister could not possible spend 12 days in such a dynamic place as Hong Kong without having his ideas about the territory strongly influenced.

Other officials and commentators were more welled. One noted that Ji's comments were all open minded, but at the same time were open-ended — frustrating for those who wanted something concrete, but comforting for those who feared Peking is already set in its ideas about how the territory will evolve after 1997.

JI reiterated Peking's desire for policies that maintain the stability and prosperity of Hong Kong, but he did not echo critical comments made before his arrival by Xu Jiatun, local head of the New China news agency, over the pace and direction of political change in the territory.

Ji insisted that Peking "still does not have any concrete design, blueprint, or fixed preconception" about how Hong Kong should be governed after 1997 — a comment applauded by a number of political figures often critical of Peking.

He said the basic law that would provide the blueprint for government after 1997 could not be drafted in a rush, but hinted that Peking aimed to have a draft ready much earlier than the previously mooted date of 1990.

Marcos' right-hand man is back in control, **Samuel Senoren** reports

Ver dashes military reform hopes

WHEN President Ferdinand Marcos reinstated general Fabian Ver as chief of the Philippine armed forces early this month, a number of officers and many observers felt that the prospects for reforms in the military establishment had suffered a major setback.

Gen Ver, 65, went on leave late last year when he was linked to the murder of Mr Benigno Aquino, the opposition leader at Manila airport in 1983.

His retirement along with that of 27 other ageing generals had long been sought by reform-minded officers.

However, when a three-man civilian court cleared the general of any involvement in the assassination of Mr Aquino, Mr Marcos moved quickly to put his long-time aide and relative back in the saddle.

One of General Ver's first acts was to rotate about 50 senior officers in a move which also led to the retirement of the head of the Philippine navy.

The chief of the navy, Rear Admiral Simeon Alejandro, 59, was replaced by coast guard commander, Commodore Brillante Ochoco, 54, a former skipper of Mr Marcos' presidential yacht.

But Gen Ver retained Maj-General Vicente Piccio, 58, as head of the air force as well as Maj-General Josephus Ramus, 60, as army chief.

Lieut-Gen Fidel Ramos, 57, who took over from Gen Ver for more than a year when he took a leave of absence, went back to his previous post as vice chief of staff, which is largely ceremonial.

Clearly, despite his one-year official absence, Gen Ver was in control of the armed forces hierarchy, and Mr Marcos had vowed to keep him for as long as his service was needed—ostensibly to battle increasing insurgency.

Under pressure since last year from the US Goverment which was worried over the fate of its two major military installations in the Philippines, Mr Marcos had pledged to institute reforms in the armed forces in a bid to recover ground lost to the 12,000-strong Communist New People's Army.

Lieut-Gen Fidel Ramos (left) with Gen Fabian Ver, recently reinstated as the Chief of Staff of the Philippine armed forces.

But with early Presidential elections drawing near, it is unlikely Mr Marcos will proceed with meaningful reforms and risk incurring the disapproval of loyal elements in the military.

The armed forces will be a major factor in the February elections and Mr Marcos will need its support if he is to beat his increasingly popular challenger, Mrs Corazon Aquino, the widow of the murdered opposition leader.

Commdore Ochoco's appointment to the navy post is thought to be particularly significant. Navy boats are normally used to transport thousands of election returns from the provinces to Manila where the final count is made.

Therefore over the next eight weeks, it is reasonable to expect that Mr Marcos' and Gen Ver's fiercely loyal followers will stay in their posts where they will be needed most.

Gen Ver is easily the strongest armed forces chief the Phillipines has ever had.

When he assumed office in 1981, Gen Ver's first major act was to reorganise the provincial commands into unified commands under a regional commander who reported directly to him.

Gen Ver in turn reported directly to Mr Marcos, effectively leaving the Defence Minister on the sidelines in what has often been criticised in military circles as a highly irregular set-up.

The Defence Minister, Mr Juan Ponce Enrile, has acknowledged that he has no hold on the armed forces, claiming that the chain of command runs directly from Gen Ver to Mr Marcos, who, under the constitution, is Commander in Chief.

Outside his own security detail and immediate staff, Mr Enrile wields little influence over the 250,000-man armed forces.

Such a command structure has been one of the major targets of the reform movement because it tended to centralise power and slow the decision-making process in the field where the fight against insurgents is won or lost.

With Gen Ver back in control, that structure is not likely to change. But, however, some reforms have been attempted in other areas.

These involved low morale and abuses committed by rogue soldiers. A number of soldiers have also been reported to be involved in protection rackets, smuggling and even gun-running.

Shortly before Gen Ver returned to power, then acting Chief Gen Ramos reported that deficiences in the armed forces had been corrected during his time at the helm.

A massive education drive among troops, according to Gen Ramos, had been conducted "to enhance deeper understanding and appreciation of the Philippine ideology and respect for the law and human rights."

He claimed that the number of complaints against military personnel had dropped to an average of only 131 a month this year compared with 207 in 1984 and nearly 300 in 1983.

When he returned to his post as vice chief of staff, Mr Marcos commended him for his administrative ability. But it is unlikely that Gen Ramos will become chief of staff when Gen Ver finally retires.

Mr Marcos has his sights on two relations who are unit commanders. They are Brig Gen Roland Pattugalan, 50, chief of the Second Army Division, and Brig Gen Edon Yap, 49, head of the 1m Army Reserve Command.

Brig Gen Pattugalan is married to Mr Marcos's niece and Brig Gen Yap is married to a sister of Mr Marcos's powerful wife, Imelda.

All told, although some internal reforms have indeed been initiated within the armed forces, the major changes and those that mattered most have been largely neglected.

If Mrs Aquino wins the presidential election, there's no question changes will be forthcoming. But if Mr Marcos is re-elected, the armed forces are likely to face mounting criticism from an increasingly sceptical population.

Zia fuels speculation on end to martial law

President Mohammad Zia-ul-Haq has called Pakistan's National Assembly and Senate into joint session on Tuesday, fuelling speculation that he may announce an end to over eight years of martial law, **Reuter reports from Islamabad.**

Despite the pending change, martial law was used over the weekend to detain at least 30 leaders of banned political parties who had planned a rally this week as a demonstration of opposition strength. The Government also banned all public meetings for two months.

The 11-party Movement for the Restoration of Democracy had been distributing leaflets and posters in Lahore announcing the meeting, scheduled to take place on the day the President announced the end of martial law.

Albania accuses Italy

Albania has accused Italy of interfering in its internal affairs and warned that relations between the two countries could be adversely affected if Italy refused to hand back six Albanians who have taken refuge in the Italian embassy in Tirana, **Patrick Blum reports from Vienna.**

The six, two men and four women, entered the Italian embassy on December 12 to seek emigration to Italy. Negotiations between Italy and Albania have so far failed to find a solution to the dispute.

Angola claims attack

Angola's official news agency claimed yesterday that four South African battalions had penetrated 60 miles into the country's south western province of Cunene, while two motorised infantry brigades were poised on the Angolan-Namibia border, reports Michael Holman.

A South African army official refused to comment on the report, but last week the country's Press Association, citing an informed Government source in Pretoria, said that South African commandos had pursued guerrillas of the South West African Peoples' Organisation (Swapo) "deep into" Angola.

Western diplomats in Luanda assert that South African forces have also intervened on the side of Unita, the rebel army.

France settles TV row

The French Parliament yesterday resovled a political row over a proposed new television channel by approving an amended Bill to allow private transmitters to be installed on the Eiffel Tower, **Reuter reports from Paris.**

The draft law drew strong criticism from the rightwing opposition when it was first introduced. The Socialist Government was accused of "stealing" the world-famous monument for its own political ends. The tower already carries transmitters used by the state network.

Sudan breaks siege

The rebel Sudan People's Liberation Army (SPLA), fighting a two-year civil war in the south of the country, has suffered a major setback according to military sources in Khartoum, **reports John Murray Brown.**

The Government broke the rebels' three-month siege of Nazir, a town in the east of the region using troops from the garrison at Malabad, the main town in the Upper Nile region, the sources said. The victory follows the Government's earlier success in clearing the key strategic north-south road from Juba to Bor in September.

Pinochet rejects dealings with opposition

BY ROBERT GRAHAM

GENERAL Augusto Pinochet of Chile has rejected the idea of holding talks with the broad 11-party coalition formed nearly four months ago.

The move has been strongly attacked by the opposition and is expected to come under further fire from a number of Western governments, including the US, who have seen the moderately phrased demands of the National Accord as a means of establishing a negotiated return to direct elections in Chile.

The National Accord was drawn up four months ago by politicians from the right to the non-Marxist left and received the tacit backing of the Communists. With the mediation of the Catholic Church the 11 parties managed to patch up their differences for the first time since Gen Pinochet came to power in 1973.

They also toned down their demands, calling for negotiations to end Gen Pinochet's authoritarian military rule rather than demanding his overthrow. This moderation received backing from the US, who privately urged Gen Pinochet to open negotiations.

One of the main figures behind the agreement, Mr Gabriel Valdes, the leader of the Christian Democrats, said at the weekend: "Gen Pinochet has committed perhaps the greatest historical error of his government and has shown he is the best ally of extremism.

"We are convinced Gen Pinochet is not prepared to yield anything and that he is an obstacle to a civilised and peaceful transition out of the total crisis he has led the country into."

Gen Pincohet rejected talks with the opposition despite earlier signs that the government would agree to meet the coalition.

Gen Pinochet argued that the National Accord did not condemn marxism and was ambiguous on the 1980 constitution which permits Gen Pinochet to rule until 1989 and then gives him the option of choosing the next presidential candidate, possibly himself.

In recent months evidence has emerged of a serious debate among the military over the advisability of Gen Pinochet staying on after 1989.

Gen Pinochet's stance confirms his determination to stay in office and the timing of his announcement is significant. It comes just before the beginning of the summer holidays in Chile, a break which has traditionally provided him a three-month political respite.

Canada budget deficit warning

BY BERNARD SIMON IN TORONTO

CANADIAN business leaders have launched a concerted campaign to persuade the government and public of the threat posed by the swollen federal budget deficit to the country's economic prospects.

Chief executives of several of Canada's largest companies have written to cabinet ministers expressing concern at the government's slow progress in coming to grips with the deficit.

The Business Council on National Issues, whose members include 150 of the country's most senior businessmen, is currently drawing up a plan to increase public awareness of the impact which a widening deficit will have on interest rates, the value of the Canadian dollar and taxes.

Canada's budget deficit, expected to be around C$34bn in the current fiscal year, is proportionately one of the highest among industrial countries, equal to about 8 per cent of gross national product.

Concern in Canada has been compounded by recent moves to pare the US deficit. The higher priority given to deficit reduction in the US appears to have contributed to the weakness of the Canadian dollar against the US currency in foreign exchange markets

Hopes have dimmed that the Progressive Conservative government, elected in September last year, has the resolve to make a major dent in the deficit. Strong lobbying by special interest groups has persuaded the Government to back away from several proposals to cut public spending.

Prime Minister Brian Mulroney indicated last week that no major cuts are planned in the budget due to be presented in February or March.

An opinion poll published over the weekend showed that the opposition Liberal Party has drawn level with the Conservatives in public support.

Haughey opponent forms new party

BY HUGH CARNEGY IN DUBLIN

A NEW party aimed at breaking the two-party domination of Irish politics was launched at the weekend by Mr Desmond O'Malley, a prominent former Fianna Fail minister and bitter opponent of party leader Mr Charles Haughey.

Mr O'Malley said he expected a small number of Fianna Fail parliamentary deputies to join the new party, called the Progressive Democrats. He also envisaged drawing support away from Prime Minister Dr Garret FitzGerald's Fine Gael Party and looked forward to having a substantial voice in parliament after the next general election, due in 1987.

The 46-year-old Limerick deputy, a close associate of Mr Jack Lynch, the former Fianna Fail Prime Minister, was expelled from the party earlier this year after a long-running dispute with Mr Haughey

He denied the new party was simply an anti-Haughey movement. It stood for a peaceful approach to Northern Ireland, fundamental tax reform, encouragement of private enterprise and forging a clear distinction between church and state.

The new party, launched on a bank overdraft of I£5,000 (£4,200), aims to attract young voters by stressing its break with the traditions of Fianna Fail and Fine Gael

Community ministers agree fish quotas

EUROPEAN Community fisheries ministers have agreed on fishing quotas for next year, including special provisions for Spain and Portugal which had held up a deal, Reuter reports from Brussels.

After marathon talks lasting over three days, the ministers were able at the weekend to come up with extra amounts to satisfy Portuguese objections that they were not receiving sufficient access to Community waters in their first year of membership.

Failure to have agreed a deal could have presented the EEC with an embarrasing row from January 1, 1986 when the Iberian countries officially became members.

The existing 10 members reached an outline agreement earlier after Ireland lifted its objections to a package which cut the total mackeral catch in the EEC's western seas to 349,000 tonnes.

This represented a marginal increase on proposals from Commission officials, based on scientific evidence of stocks of 308,000 tonnes.

However, the new North Sea herring quota is to rise about 70,000 tonnes to 298,425 tonnes.

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OVERSEAS NEWS

The head of France's royal house discusses his country's political developments

Dreamer with a past looks at France's long-term future

BY DAVID MARSH IN PARIS

IN A LARGE office lined with imperial portraits looking down disdainfully on a melee of Snoopy dogs, dominoes and chocolates ready for Christmas distribution, Henri, Count of Paris, head of the 1,000-year-old royal house of France holds court. Given time and patience, he says, the monarchy could be on the way back.

During a 50-year-long political career in the shadows of three Republics the Count has watched France's turbulent and tortuous 20th century history unfold and slowly pass him by.

Now a spry good-humoured 77, the heir 10 generations ago of Louis XIV presides not over Versailles but over an old people's home at Chantilly north of Paris, run by his family foundation and with roots going back more than three centuries.

France's 20th century history has slowly passed by the Count of Paris. But the head of the French royal house feels that in time, the monarchy could be on the way back.

Henri, Count of Paris, heir 10 generations ago of Louis XIV, at his home in Paris

During the Christmas period, the Count will be handing out gifts and good cheer to the 180 elderly inmates and children of staff.

At an age when most men's minds turn to other-worldly affairs, the Count is still playing a waiting game. But, with general elections approaching which next year could confront President Francois Mitterrand with an Opposition-controlled National Assembly, Prince Henri Robert Ferdinand Marie Louis-Philippe d'Orleans believes that time may at last be on his side.

The Fifth Republic fashioned by General de Gaulle (who at one stage in 1957/58 toyed seriously with the idea of putting Henri back on the throne) is not working in the way its founder intended, the Count points out. France has a President with semi-monarchical powers, who nonetheless is being forced to descend more and more into the political arena.

"The President is practically a King — but he does not have the ability to act as an arbitrator," he says. "I try to make my views known in public that if France really wants a King — then it should have one."

Mindful of the distinct absence of crowds in the streets clamouring for restoration of the monarchy — and of what happened to Louis XVI in 1793 — the Count takes care not to push his views too forcefully.

A liberal education, forced experience of foreign travel (the royal family was exiled between 1926 and 1950; in 1940 the Count joined incognito the Foreign Legion) and the benefit of a family fortune have combined to give the Count benevolent political views. In Britain he would surely be a member of the Social Democratic Party.

The wealth tax introduced by the Socialist Government "does not shock me," he says. "It is perfectly normal that this exists." He ducks questions over his personal wealth—"the tax inspectors know that."

The Count says the Right-wing Opposition's programme on the economy appears somewhat "simplistic." After the dashing of the Left's initial "dreams and illusions," Socialist economic measures "are starting to bear fruit."

Like many managers in industry, he is worried that a return of the Right and a bid to undo some of the present government's social measures could lead to unrest in the factories.

In 1980, a call by President Giscard d'Estaing for the Count to speak out in favour of the Right before the 1981 presidential elections went unheeded. Instead, Henri brought out a communique suggesting that France should have the ability to change government.

This was interpreted as backing for Mr Mitterrand. The Count has steadfastly refused to divulge who he chose in the polling booth. He says he knew Mr Mitterrand before he came to power, and has maintained contact since he became President.

He does not underline that the choice of King would need to be ratified by universal suffrage —a decision which might pose problems over the succession. The House recognises the masculine line only, which might even be a vote winner in male chauvinist France.

"Events more than reasoning make people reflect. The French people need to judge for themselves. I will do nothing to dramatise the situation," he says.

Hopes are chiefly invested in his grandson, Jean, aged 20 and studying philosophy at the Sorbonne. He has been designated as successor after the Count disinherited his eldest surviving son for transgressing family rules over remarriage.

As his elderly charges at the Condé Foundation home turn their minds to seasonal festivities—"sometimes we get them to dance, or at least tap their feet in their wheelchairs"—the Count at least believes he has helped the French come to terms with their history.

"When I started my political career, the Republicans didn't accept the monarchists and vice versa. Now at least there's no more hate and resentment. People might say I'm a dreamer with high hopes, but at least they don't say: "He's a lunatic, let's banish him."

And over the future of the dynasty he professes a calm optimism. "Politicians have immediate and precise ambitions. I am not limited by time —my action is long-term."

WORLD TRADE NEWS

Barclays consortium wins Air India financing mandate

BY JOHN ELLIOTT IN NEW DELHI

A CONSORTIUM of banks led by Barclays, of the UK, and including Societe Generale and Citibank has won the mandate to provide commercial loans and export credits totalling up to $393m (£278m) for Air India airliner purchases. This follows one of the most closely fought battles for banking business yet seen *in India*.

Fuji DKB and Tokai of Japan have the mandate for a $50m Japanese yen loan which completes the funding package of $443m needed by Air India to purchase six Airbus A-310 airliners from the European Airbus Industrie consortium for delivery during the next year

But the Indian Government has retained the right to reduce the Barclays-led consortium's business by the price of one aircraft if it decides to lease an airliner through other European banks before the financial deal is signed in a few weeks

To win the mandate against tough competition from two other consortia led by Midland and Indo-Suez, Barclays had to agree to maintain its offer if the separate leasing deal goes ahead.

The Indian Government's decision will partly depend on arrangements it can make for financing the aircraft after the initial leasing period has expired. *This would be the first* time it has purchased an aircraft with leasing arrangement.

The $393m mandate, which India is expected to confirm today, comprises $193m of tax spared commercial loans and $220m of export credits.

Barclays is believed to have offered the loans at 1/16 of a percentage point over Libor and to have under-cut its competitors with a fall-back rate of just under ⅜ of a percentage point.

The export credits will be shared on the normal Airbus Industrie arrangements of 40 per cent each by West Germany and France and 20 per cent by the UK.

Other banks in the Barclays consortium include Bankers Trust and Irving Trust of the US. Citibank is responsible for the West German export credits and Societe Generale will co-ordinate the French with Barclays.

The low rates of interest illustrate the way international banks are prepared to reduce their profit margins to obtain business from India at the start of what they see as a steady expansion of financial activity.

The Air India loan has been regarded by international banks as the most prestigious to win for the past couple of years. It is a forerunner of a much larger financing package that will be needed by 1989 for the purchase by Indian Airlines of 19 Airbus A-320 aircraft which, together with an option for another 12, will cost $1.6bn.

● A consortium led by Midland Bank of the UK has been *awarded* a tax spared $25m Euro currency loan for the Industrial Development Bank of India at 1/16 of a percentage point over Libor with a fall-back of ⅜ per cent. The *other banks* involved are National Westminster of the UK and Credit du Nord of France.

World Economic Indicators

INDUSTRIAL PRODUCTION
(1980 = 100)

					% change over previous year
	Nov. 85	Oct. 85	Sept. 85	Nov. 84	
US	115.2	114.7	115.1	113.6	+1.4
	Oct. 85	Sept. 85	Aug. 85	Oct. 84	
UK	108.8	109.1	107.3	103.2	+5.4
Japan	123.0	121.3	122.8	120.8	+1.8
	Sept. 85	Aug. 85	July 85	Sept. 84	
W. Germany	103.7	103.2	107.9	98.1	+5.7
France	101.3	102.5	101.4	100.6	+0.7
Italy	98.3	97.6	95.0	99.1	−0.8
	Aug. 85	July 85	June 85	Aug. 84	
Netherlands	103.9	101.9	105.7	103.3	+0.6

Source (except UK, US, Japan): Eurostat

US demand for car electronics 'rising fast'

By John Griffiths

DEMAND from US car makers for electronic components—excluding entertainment equipment—will soar to $12bn (£8.5bn) a year by 1990 at current prices, compared with $3.5bn last year, according to a new study by Frost and Sullivan, the New York-headquartered market research group.

The study forecasts a rise to $5.5bn in 1986, compared with $4.5bn this year.

Falling prices, better semiconductor reliability and car maker's efforts to fight competition with cars having a higher technology content are cited as the main forces leading to growth.

Devices such as fuel-mixture sensors, multi-purpose cathode ray tube displays, keyless entry systems and navigational aids will mean that "electronics will soon become a significant factor in the cost of the automobile."

Currently, power train management systems account for the largest slice—54 per cent—of car electronics. However, the study observes, while sales of this equipment will more than double by 1990, more rapid growth in other segments will cause their share of the total to fall to 41 per cent.

By 1990, driver information devices, such as fuel/mileage computers, navigation aids and other display systems will account for 22 per cent of the total, compared with 17 per cent now, says the report.

Non-power train systems, such as electronic control of the suspension, anti-skid braking and "multiplexing" to replace traditional wiring looms, will increase their share to 20 per cent from 17.

Safety and convenience electronics will be the fastest growth sector, rising from 10 per cent to 17 per cent. This sector includes items such as remote keyless entry systems, "smart" windscreen wipers and cellular telephones.

Non-entertainment Automotive Electronics Market, Frost and Sullivan, 106, Fulton Street, New York, NY 10038, or 104-112, Marylebone Road, London W1M 5FU, $1,750.

EXTENSIVE COLLABORATION WITH CGCT PROPOSED

Ericsson strengthens French bid

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

L. M. ERICSSON, the Swedish telecommunications and electronics group, has proposed a programme of extensive co-operation with the French group Compagnie Generale de Constructions Telephoniques (CGCT), in a bid to keep alive its chances of breaking into the French public telecommunications market.

The proposed alliance with CGCT the state-owned second string supplier of public switching equipment with around 16 per cent of the French market, faces competition from a rival scheme involving the American Telephone and Telegraph-Philips partnership and Compagnie Generale d'Electricite (CGE). The French Government is thought to prefer the latter plan.

In a memorandum to CGCT, Ericsson has proposed extensive co-operation between the two companies which would in *effect establish in France* a second European Ericsson research and development centre for its successful AXE digital switching system.

Ericsson has discussed taking a stake of around 15 per cent in CGCT and would aim to establish manufacturing facilities in France for the domestic market and for export.

Ericsson is the most international of the world's leading telecommunications groups, and its AXE system has been installed in or ordered by 62 countries. It is already the accepted second supplier in the UK, Spain, Holland and Italy.

Mr Karl-Axel Lunell, Ericsson's vice-president for marketing, said the Swedish group *would aim to licence CGCT* for the manufacture of more than 450,000 lines a year

Ericsson has also gone well beyond public switching in talks with CGCT, however. It has suggested co-operation in fields like fibre optics, civil radar equipment, telephone instruments and office automation and PABXs (private office exchanges).

The Swedish group has suggested that it would be possible to create around CGCT a European telecommunications and electronics consortium that could include *participation by* the French companies Bull, Matra and Jeumont-Schneider.

"What we foresee is to develop the present research and development resources of CGCT," said Mr Lunell.

Ericsson has entered the game rather late but is seeking to present its initiative as an alternative European solution to co-operation with AT & T. It believes that Mrs Edith Cresson, French Minister of Foreign Trade, has given a "pale green light" for talks to continue but has been told by the French Industry Ministry that the CGE/AT & T talks are to be *given priority*.

SHIPPING REPORT

Volume of laid-up tankers falls as rates increase

BY ANDREW FISHER, SHIPPING CORRESPONDENT

AS TANKER rates have improved in the past few weeks, the volume of laid-up tankers has fallen considerably to just under 40m deadweight tons.

E. A. Gibson Shipbrokers, of London, said the laid-up total of tankers and combined *carriers (able to carry oil or* dry cargoes) was down to 39.6m dwt in mid-December from 43.8m dwt the previous month.

Of this, Gibson reckoned that nearly 14m dwt would never trade again, most of this comprising VLCCs and ULCCs (very large and ultra large crude carriers) of more than 200,000 dwt. This could be a conservative estimate, said Gibson.

The idle tonnage total is the *lowest for more than three and* a half years. It includes 117 VLCCs and ULCCs of 34.7m dwt, down from 129 ships of this size amounting to 38.2m *dwt in the middle of November.*

Many of the ships taken out of lay-up berths have been sent for sale to scrapyards in the Far East. Scrapping levels this year have been running well ahead of 1984

But dry cargo rates have been weak. UK shipbroker Denholm Coates said this had been the worst year for the market since the 1930s.

BAe and Greek company agree flap assemblies deal

BY ANDRIANA IERODIACONOU IN ATHENS

An agreement has been reached between British Aerospace (BAe) and the state-run Hellenic Aerospace Industry (HAI) for the manufacture in Greece of flap assemblies for the new Advanced Turbo Prop (ATP) airliner. The deal could lead to a long-term, multi-million pound programme on production collaboration.

In the first instance HAI has reportedly undertaken the delivery of 30 flap assemblies. According to an official announcement the agreement "could be extended well into the next century" and "could eventually be worth Dr 2.5bn (£11.8m)."

British Aerospace officials are expected in Athens for a follow-up visit in the new year. The two companies are reportedly also negotiating the possible production by HAI of other aircraft components and machined parts.

Gatt talks preparatory group aims for simplicity

BY WILLIAM DULLFORCE IN GENEVA

HEADS OF mission to the General Agreement on Tariffs and Trade (Gatt) have rounded off their year by clearing the ground for the committee which will start next month to prepare the global trade negotiations so eargerly sought by the US.

It is already evident that the new round of talks will be the most ambitious yet. If the US and its partners achieve their aims, the scope of Gatt will be widely extended. But if the opposition to this extension, mostly from developing countries, proves to be too strong or if the big trading nations cannot agree on how to handle such crucial issues as agricultural trade, the existence of Gatt may be at stake.

It was agreed in an informal meeting last week that the 25 *or so subjects proposed* for negotiation must be reduced to a manageable 12 or 15 at most. Some matters will be left for treatment as normal Gatt business.

Inclusion of such important items as agriculture, textile, tropical products and the removal of quantitative restrictions on trade is not contested. The committee will probably therefore not spend much time discussing agriculture, the complexities of which will have to be left to the negotiations proper.

Textiles could be a more embarrassing item. The committee's work will run parallel with discussions on the renewal of the Multi-Fibre Arrangement (MFA), governing world trade in textiles and clothing, which expires in July.

The preparatory committee is likely to spend most time deciding how to handle items such as services, intellectual *property rights*, investments and counterfeit goods, whose inclusion is contested or where the objectives of the negotiations are not agreed.

Mr Arthur Dunkel, the Gatt director general and chairman of the preparatory committee, proposed last week that it should aim at producing a relatively concise declaration of three to five pages for adoption by trade ministers. An accompanying report would reflect the opinions and standpoints that individual countries wish to emphasise.

The committee is expected to hold formal sessions over 40 days before the end of June. The European Community is pressing for a fast tempo of meetings to begin with, allowing time to handle the crises which will inevitably emerge. Mr Dunkel favours a more measured approach.

The first formal session will be on January 27 and mid-July is the deadline for agreeing on the declaration with which the trade ministers will launch the new round of negotiations in September.

Japan and US settle leather trade dispute

By Nancy Dunne in Washington

THE US drive to open protected Japanese markets edged further *along this weekend* with the announcement of a settlement of an American trade complaint over leather.

The US leather footwear industry, estimated a loss of $260m (£184m) worth of Japanese sales each year, filed an unfair trade complaint with the US Trade Representative in the late 1970s. A panel of the General Agreement for Tariffs and Trade (Gatt) ruled in favour of the US producers last year.

Mr Clayton Yeutter, the US Trade Representative, gave Japan until December 1 to resolve the issue before putting American retaliation into effect. However, Mr Yasuhiro Nakasone, Prime Minister, sent President Ronald Reagan a plea, reportedly written on leather, asking that any retaliation be delayed until after December 20 when the Japanese Diet (parliament) would no longer be meeting.

Mr Yeutter decided to accept a Japanese offer of trade concessions instead of implementing a major retaliation against Japanese products in the US.

His office announced over the weekend that the US is to raise duties on Japanese leather imports next year. This will cost Japan $24m. In compensation for the remaining $236m worth *of lost* sales Japan *has agreed* to reduce or eliminate tariffs on 142 items which last year earned $2.9bn. Japan has also agreed to make permanent a *series of other tariff* cuts which had been temporary.

Japan is said to have agreed to give up some protection of its aluminium industry

The new agreement alone is unlikely to convince Japan's critics in Congress of the sincerity of its intention to open up its markets. Several trade bills aimed particularly against Japan are expected to move easily through Congress next year.

Talks under way between US and Japanese trade officials all this year have attempted to open heavily protected Japanese sectors: telecommunications, pharmaceuticals, medical equipment and forestry products.

The Trade Representative's office said it will be assessing the progress of the talks in January and early February.

UK NEWS

Tory MPs back change in budget priority

BY IVOR OWEN

A GROWING NUMBER of Conservative backbench MPs are supporting the campaign by the Confederation of British Industry (CBI) to persuade Mr Nigel Lawson, the Chancellor of the Exchequer, to give priority in his spring budget to measures to reduce unemployment rather than to cuts in income tax.

Leaders of the CBI made clear the importance they attach to this approach in a recent meeting with Mr Lawson when they argued that, if the level of oil prices or other factors limited his room for manoeuvre at the time of the budget, he should leave income tax rates unchanged.

Their doubts about the assertions made by Mr Lawson and other ministers – that the boost to takehome pay which would be provided by an easing of the burden imposed by direct taxation would help employers to resist excessive pay claims – are shared by many of the Government's supporters in the House of Commons.

Some MPs on the government backbenches agree with the fears of many industrial leaders that the stimulus to consumer demand provided by income tax cuts would be likely to produce a substantial surge in imports and give rise to further anxiety over the continuing erosion of Britain's manufacturing base. That would make it still more difficult to establish a downward trend in unemployment.

The warning given by the Prime Minister last week that it would be wrong to take it for granted that income tax cuts would feature in every budget introduced by a Conservative Chancellor of the Exchequer is also regarded as a significant development.

● Lower inflation and more moderate wage settlements, rather than changes in government policy, are the key to cuts in interest rates demanded by industrialists, the London Business School says today, **Robin Pauley writes.**

Professor Alan Budd, director of the LBS Centre for Economic Forecasting, says government pleas for moderate wage settlements as the best route to a fall in interest rates have been wrongly interpreted as being a return to the days of "policy bargaining."

Mr Denis Healey, Chancellor of the Exchequer in the last Labour Government, offered explicit bargains in 1976 and 1977 when he proposed tax cuts contingent upon the negotiation of a new pay policy.

Poll tax proposed in rates reform

BY ROBIN PAULEY

PROPERTY taxes (rates) on houses will not be abolished this century but will be allowed to wither, while a poll tax gains gradual importance as a source of local government finance. This tax will start in 1990.

That is the thrust of Prime Minister Mrs Margaret Thatcher's preferred solution to the never-ending saga of rates reform. It will form the central plank of the Green Paper (consultative document) to be published next month to coincide with publication of the Social Security Bill.

Ministers have been arguing for months about what to do about rates. The majority of Cabinet ministers would prefer to do nothing, leaving the rates in place as the least controversial and politically dangerous option. When Mr John MacGregor, Treasury Chief Secretary, propounded this view at the Cabinet committee chaired by Mrs Thatcher, she threatened to exclude the Treasury from all future rates dicussions if such views were repeated.

The latest plan, devised by Mr Nicholas Edwards, Welsh Secretary, and described by some Cabinet ministers as not serious, would mean that nothing was done to any part of the rating system until 1990 (which is about the time the Prime Minister has indicated that she might retire if she were elected to a third term of office).

In 1990 all domestic rate bills would be frozen and a poll tax, named community charge, would be introduced to make up the small amount of income lost to local councils through inflation. Each year the community charge would rise as the frozen rate bills produced less and less of council income in real terms.

An alternative proposal to be put forward involves hastening the withering process by first cutting all domestic rate bills by say 5 or 10 per cent and then freezing them. In, say, 1995 the decline of the rate would be further accelerated by a new reduction and freeze of the domestic rate bill.

By around the turn of the century or later, the domestic rate bill would be tiny and would have virtually disappeared in many places. By then people would have become used to the poll tax, which would be the primary source of income.

The Green Paper will also propose that a system of rates discounts and surcharges might be introduced to give rate relief to single old-age pensioners and make families with several wage earners pay more.

The Prime Minister supports the plan because it produces a solution to the rates problem without involving any action likely to affect her political position.

But a number of senior ministers are bemused and alarmed at the plan. Some fear it will cause more trouble than it is worth, largely because many people will be faced with two local taxes istead of one for years. Others think it will be administratively impossible.

Changes to business rates would also be introduced in 1990. The non-domestic rate would be set and collected centrally and redistributed to all local authorities on a simple per capital basis.

Before the business changes occurred a full revaluation of all commercial and industrial rateable values would be carried out in 1990.

Mr Kenneth Baker, Environment Secretary, is not enthusiastic about Mr Edwardes's plan. He intends to have a long consultation period and no legislation until after the next general election, if at all.

That will enable him to say the rates problem is in hand, while freeing him to get on with what he regards as more important subjects, particularly the inner cities.

Leyland deficit totals £502m

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

LEYLAND Vehicles, state-owned BL's truck and bus subsidiary, ended last year with an accumulated deficit of £502.7m and its liabilities outstripped its assets by £31.6m.

Land Rover UK, another key company within the group, showed an accumulated deficit of £57.9m at the end of 1984, but its assets were £148.7m more than its liabilities.

The true extent of the two companies' losses – not shown in the BL report – are revealed by accounts which have now been filed, as late as legally possible.

Both form part of the Land Rover-Leyland division that BL might sell to General Motors of the US (which owns Bedford in Britain). Discussions between the two groups have been going on for some months.

In 1984 Leyland Vehicles' net loss reached £60m on a turnover of £430.2m. That was after taking a tax credit of £38.8m – the loss before tax was £91.5m.

The previous year Leyland's net loss was £143.6m on sales of £433.5m.

In 1983 the losses included extraordinary items of £45.5m in respect of the rationalisation programme which will involve the eventual closure of the Bathgate export truck factory in Scotland.

Last year the extraordinary losses were £7.3m, entirely sustained by the bus business which also announced a rationalisation scheme and the closure of the Charles Roe assembly plant in Leeds.

Leyland, like other BL companies, is mainly financed by a loan from the parent – an interest-free £370.6m at the end of last year.

Land Rover UK, which takes in the Freight Rover van operations, had a £78.1m loan outstanding from the parent at the end of 1984 but was paying interest at the rate of 1 per cent over base rate.

Land Rover's net loss for 1984 was £4.7m, down from £44.4m the previous year. It suffered substantial extraordinary losses in 1983, associated with the current rationalisation project, totalling £24.4m.

In 1984 the extraordinary losses reached only £0.8m.

Land Rover's turnover for last year was £414.9m, up from £371.8m in 1983. This included £199.2m (£177.5m in 1983) of sales to Land Rover-Leyland International for export.

Leyland Vehicles was also a significant exporter with export sales of £127.3m last year, up from £119.6m in 1983.

Hard line urged over teachers

PRIME Minister Mrs Margaret Thatcher's suggestion that local authorities should take tough disciplinary action against striking teachers, officially leaked at the weekend, reflects her insistence that a more conciliatory attitude would open the floodgates to a wave of high public sector pay claims, **Philip Bassett and Peter Riddell write.**

The idea that teachers striking as part of the current pay dispute should be disciplined was yesterday dismissed as irrelevant and impracticable by both the teachers' employers and the unions.

At the meeting of the special Cabinet committee on the dispute last Wednesday, Mrs Thatcher apparently insisted that a tough line, including possible lock-outs, should be taken.

There were suggestions yesterday that ministers were prepared to risk an all-out national strike by teachers in response to the latest warning.

□ **MR ALEX FLETCHER,** a former Conservative minister at the Department of Trade, has been appointed adviser to Argyll Group, the supermarkets group headed by Mr James Gulliver, which is bidding £1.9bn for Distillers, the Scotch whisky group.

Buy-out rejected for English Estates

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

THE GOVERNMENT has rejected a management-led buy-out for English Estates.

Mr Leon Brittan, Secretary for Trade and Industry, told the Financial Times: "This course is not the most promising way forward. It would only make sense if the central objectives could be pursued in a way more cost-effective.

"I remain to be persuaded this approach would achieve that objective."

English Estates is the government-appointed body – the chairman is Mr Christopher Wates – that builds and manages property developments in the English assisted areas.

The organisation approached Mr Brittan in November with the idea of a buy-out. Its management had been concerned at the long-term direction being imposed on it by the Government.

In particular, it was concerned at having to take on the development of Chatham dockyard in Kent, costing between £25m and £30m over three years, and some extra work in the West Midlands at a time when its budget was being cut.

Mr Brittan said he was anxious that English Estates should have sufficient resources to continue its work.

It is clear that English Estates now accepts that it will not be allowed to go ahead with a management-led buy-out.

Vauxhall car sales hit record

VAUXHALL, the General Motors subsidiary, achieved record sales this year, but there is some disquiet among company dealers about stocks of unsold new cars, **Kenneth Gooding writes.**

Dealers in some areas have protested about the number of unsold 1985-specification cars still in stock but Mr David Lahti, Vauxhall's marketing director, said: "There is no big problem – we are slowly working our way through the (1985) stock".

He admitted, however, that a few dealers did have problems. Vauxhall was trying to help them by allowing extra time to pay for the cars.

Mr Lahti suggested difficulties might have arisen because price differences between 1986 models, introduced in the autumn and 1985 models was not as great as in the past.

Vauxhall will launch a special incentive scheme to clear the last 1985 models at the beginning of next year.

Vauxhall said its annual car sales reached a record 300,000, compared with 282,835 Vauxhall cars registered the previous year which gave the company a 16.17 per cent market share.

UK NEWS

Lisa Wood considers the implications of a Coke-Schweppes venture

Adding pressure to the fizz

THE PROSPECT of a shake-out in Britain's fizzy drinks industry has been forecast in the wake of an announcement by Cadbury Schweppes, the UK soft drinks and confectionery manufacturer, that it had agreed in principle to form a joint company with Coca-Cola to bottle and distribute all of Coke's brands.

A new joint company would command more than 25 per cent of the £1.75bn UK fizzy drinks market. Although dominated by seven large companies, the market still has about 130 players, some of which are individual operators selling door-to-door.

"The whole of the soft drinks industry is in a situation of overcapacity and underpricing," said Mr Tony Morton, deputy chairman of Mandora, the soft drinks subsidiary of Mansfield Brewery, in Nottinghamshire. "It will come right but there need to be some casualties before that happens."

Manufacturers of fizzy drinks – which includes lemonades, mixer drinks such as tonic and colas – have already borne the brunt of existing casualties in a £2.5bn soft drinks business which includes fruit juices and concentrates. Juices are enjoying a considerable growth in sales in the UK as part of the health boom.

Fifteen years ago there were about 300 UK manufacturers of fizzy drinks in the UK; today they number about 130. Some have simply gone out of business; others have been acquired by larger groups. R. White was acquired in 1981 by Canada Dry Rawlings, in which Bass and Whitbread, the UK brewers, both have stakes. A.G. Barr, the largest regionally based manufacturer, with brands including Tizer, last year bought Globe Minerals, an Edinburgh-based fizzy drinks company.

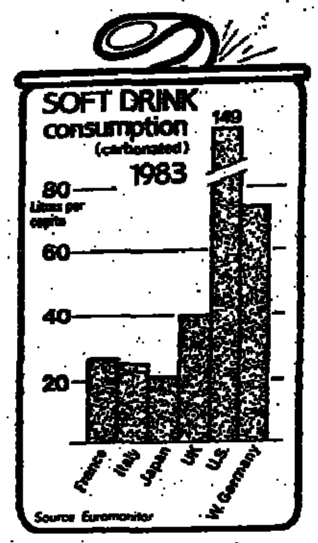
There has also been rationalisation within leading companies. Schweppes, the soft drinks division of Cadbury Schweppes, has reduced its factories from 14 to seven in the last five years and cut its workforce by 50 per cent.

The carbonates market, a fairly traditional one with few major new brands, started to decline in the early 1980s as the recession began to bite. Sales fell from 2,062m litres in 1980 to 2,022m litres in 1981. Recovery started in 1983 with a revolution in packaging.

"Pet (polyethylene terephthalate) *plastic bottles presented the consumer* with an opportunity to carry home large quantities of soft drinks," said Mr John Sunderland, managing director of Schweppes. That development in turn accelerated the trend towards a significant shift in distribution with a switch from pubs and corner shops to large supermarkets.

Those changes and over-capacity in the industry have resulted in the real price of carbonated drinks falling in the last five years. In the case of cola drinks, the growth sector of the market, the fall has been by around 30 per cent since 1980.

"The fact that our prices are lower today than in 1981 is part of our UK strategy," said Mr Rolf Cooper, chief executive of Coca-Cola Northern Europe. "It is a volume-orientated strategy, but we have not done that at the expense of margin."



The cola companies, including Coca-Cola, the world's biggest soft drinks company, and Pepsi-Cola, the second biggest, have been among the most aggressive players in the market. Coca-Cola accounts for more than 50 per cent of cola sales, which in total take about 31 per cent of the UK carbonated drinks market against 27 per cent in 1980.

Coca-Cola's strong growth in the UK was checked in the early 1980s, however, by Pepsi-Cola, which had a 32-year UK association with Cadbury Schweppes until the latter's recent link with Coca-Cola. The new link will also end a similar relationship Coca-Cola had with Beecham, the UK health care and consumer *products company* that has handled Coke's products in certain areas of the country.

Pepsi's attack on Coke in the UK was very similar to one it successfully waged in the US. Coke responded in the UK with an aggressive strategy based on its optimism for vastly increased consumption of soft drinks by Britons who drink around 49 litres of soft drinks a head a year against 149 litres in the US.

The strategy included buying CC Soft Drinks, a franchisor of its brands, from Grand Metropolitan, in 1984. Part of the same aggressive tactic is the development at Milton Keynes of what Coke calls the fastest can-filling line in Europe, filling more than 2,000 cans a minute.

Coca-Cola vehemently denies that the strategy *is defensive* against other cola competitors, which include a host of own-label producers. "The formation of a joint company with Cadbury Schweppes offers us an association with a type of company that can do a uniquely strong job for our products – as well as theirs," said Mr Bob Wilkinson, director of corporate affairs for Northern Europe.

Pepsi appears undismayed, although disappointed, at the prospect of losing in two years its 32-year-long relationship with Schweppes, which is responsible for about 95 per cent of Pepsi's business in Great Britain.

There is now speculation over Pepsi's new UK partner. The company says: "We are examining a number of options."

Need seen for Westminster advisers

BY PETER RIDDELL, POLITICAL EDITOR

MORE THAN two thirds of medium and large-sized companies use government affairs or public relations consultants for work involving Whitehall and Westminster, but many are sceptical about whether these firms have sufficient understanding of the operations of the Civil Service.

These are among the main findings of a survey of 180 sizeable companies (British and domestic subsidiaries of US and Japanese concerns) conducted by a group of people closely involved in the government affairs field. At present, the group wishes to remain anonymous since it is looking at the scope for new approaches in this market.

There has recently been considerable controversy in Parliament about the role of outside consultants seeking to influence MPs and the Government, particularly about the links between members and some lobbyists and public relations firms.

The survey shows that 41 per cent of the companies use government affairs consultants (paying on average £28,200 a year) and 28 per cent use public relations firms for work involving government (£33,100 on average).

Among the other points are that 61 per cent of the whole sample see a need for consultants in monitoring Parliament, 89 per cent in monitoring Whitehall, 92 per cent in providing early warning about policies, 59 per cent in advising on what action the companies should take, and 31 per cent in acting as an advocate on a company's behalf.

Of those employing consultants, however, only 8 per cent regard them as useful in providing access to decision makers in Whitehall, although 60 per cent do see a usefulness *in relations to MPs.*

Significantly, *none* of the companies replying thought the consultants concentrated too much on Whitehall, although 28 per cent believed they concentrated too much on Parliament.

Court hearing over dried fruit postponed

By Andrew Gowers

A HIGH COURT hearing on complaints against the EEC by the British dried fruit trade has been postponed until mid-January.

Traders in sultanas, raisins and currants are seeking a judicial review of EEC minimum import price *regulations – which they say significantly* increase the price they have to pay for produce imported from outside the Community

The earliest day on which the case can now be heard is January 13.

UK NEWS

Talks on cheap electricity plan to be advanced

BY MAURICE SAMUELSON

NEGOTIATIONS between the coal and electricity industries and the Government will be speeded up in the new year on a plan to supply cheaper power to a number of big users heavily reliant on electricity for their manufacturing processes.

The cheaper power would be linked to a special tonnage of power-station coal intended for several factories that have long complained of having to pay substantially more for their power than many continental European competitors. They include parts of the steel, chemicals, paper, plastics and glass industries.

If the discussions succeed, the plan would be introduced in April.

Some of the obstacles to the plan appear to have receded after last week's meeting of the Electricity Council – the umbrella body of the 12 area electricity boards and the Central Electricity Generating Board (CEGB) – which agreed to put a set of proposals to the Department of Energy.

Some of the area boards, which act as the industry's sales force, are worried that they might be accused of giving undue preference to certain customers at the expense of others, and were therefore less enthusiastic about the idea than the CEGB or the National Coal Board (NCB).

While agreeing on the case for helping the heavy-load industrial consumers, some parts of the electricity industry had favoured a scheme, called toll processing, whereby the power stations would burn cheaper tonnages of coal sold directly to the electricity users by the coal board, thus absolving the electricity industry from front-line responsibility for it.

Toll processing is anathema to the NCB, which fears it would be seen as yet another hidden government subsidy to the coal industry

As a result, the electricity industry appears quietly to have dropped the notion of toll processing and is trying to work out a compromise that would minimise the potential embarrassment to the NCB

In Whitehall, last week's Electricity Council proposals were welcomed as an important stage in formulating a policy that can now be considered in detail by the Government.

Newest reactors' power flaws fuel support for rival PWR

BY DAVID FISHLOCK, SCIENCE EDITOR

DISCLOSURE that Britain's newest nuclear reactors will not be fully available for this winter's peak demand, *or even for next winter's* peak, despite a £100m emergency repair programme, is refuelling the national debate over rival reactor types.

Britain's latest advanced gas-cooled reactors (AGRs), at Heysham in north-west England, and Hartlepool in north-east England, are unable to raise more than about 60 per cent of their design output, the Central Electricity Generating Board (CEGB) has revealed.

The board said last week that it was curtailing its capital spending in all other directions in order to raise £100m internally for a top-priority programme of refurbishment for the two 1,300 Mw nuclear stations.

About £40m is expected to be spent in the coming year.

AGR proponents see the disclosures as another move by supporters of the rival US pressurised water reactor (PWR) to discredit the hapless AGR.

But the board says it is losing £15m for every 1,000m kw-hours (units) of electricity it fails to obtain from its AGR plant, by having to *burn coal instead.*

The forthcoming public inquiry report on the Sizewell B PWR project is expected to comment on the case for building more AGRs in Britain, instead of adopting the PWR.

The Heysham and Hartlepool AGRs are of a different design from the earlier AGRs at Hinkley, in south-west England, and Hunterston in Scotland.

When ordered in the early 1970s they were seen as a significant engineering advance by the CEGB, partly because their boilers – stacked in concrete pods outside the reactor itself – can be lifted out for repair.

But, like the earlier AGRs, they have also proved difficult to construct and frustratingly slow to raise to satisfactory levels of performance. Even the earlier AGRs operating since the mid-1970s still do not produce their full design output.

Since coming on-load two years ago, the four new 660Mw reactors have reached an average maximum output of only 400Mw despite painstakingly slow construction over 10 *to 14 years in each case.*

The CEGB's engineering division recently precipitated a top-level row when it reported that Heysham and Hartlepool appeared to be stuck at this output until they had spent a further £100m.

The engineers have identified three interrelated reasons why higher power levels cannot be reached reliably at present.

One relates to the performance of their unique helical boilers, built by Babcock International, and operating at very high power densities.

The engineers want to spend about £30m modifying the 32 boilers involved to get a more stable balance between the flow of hot gas from the reactor and the output of steam. They have successfully modified one boiler and believe they now know how to stabilise boiler performance at high output.

Each reactor will be out of action for six to eight weeks. But the changes are expected to add 100Mw to the output of each reactor.

Ships' pilots vote to join TGWU

BY DAVID THOMAS, LABOUR STAFF

MEMBERS of the 101-year-old association representing most of Britain's ships' pilots have voted overwhelmingly to join the Transport and General Workers' Union (TGWU).

The 1200-strong UK Pilots' Association had set the high target of 80 per cent of the votes cast in its ballot to approve the merger. The vote – 720 in favour and 192 against – exceeded that target.

The association will become part of the TGWU's docks and waterways section, and will add to the union's already considerable industrial strength in Britain's ports.

The association believes that with the 200 pilots who are already members, almost all of Britain's pilots will now be members of the TGWU.

The association's leaders had indicated before the vote that the merger move reflected their members' anxiety at government proposals to decentralise the pilotage service to local port authorities, with a consequent loss of jobs.

Mr Clive Wilkin, the association's chairman, said yesterday that the vote also reflected the pilots' concern at government proposals that would mean pilots losing their self-employed status and becoming port employees.

He said: "If we are to be port workers, we will have to be in the same union as the rest of port workers."

The association's leaders said before the vote that they were recommending the merger even while acknowledging that many of their members politically supported the Conservative Party. Mr Wilkin said yesterday: "It is a very sad thing that the Government has forced 1,200 particularly right-wing pilots to join the TGWU."

CEGB confirms delay on Channel cable link

THE CENTRAL Electricity Generating Board (CEGB) has finally admitted that the first imports of electricity from France are being delayed until 1986 because of hitches in completing its cross-Channel cable link with Electricité France (EdF), **Maurice Samuelson writes.**

The board conceded that it did not expect the first power to flow through the cables until some time next month, instead of in December, as forecast earlier.

The December target had itself been fixed after the failure of a trial switch-on at the end of October due to breaks in some of the undersea cables.

The board said it was now looking to next month for the first power flows between the two utilities.

The delays appear to bear out the less optimistic view of EdF that the first commercial electricity movements between the two countries will *not start until spring – too late* to contribute to Britain's electricity demand at the height of the winter.

Airports handle more traffic

By Michael Donne

THE GROWTH in UK air traffic throughout the past year continued during November. The British Airports Authority's seven airports handled 3.48m passengers, 4.1 per cent more than in November 1984.

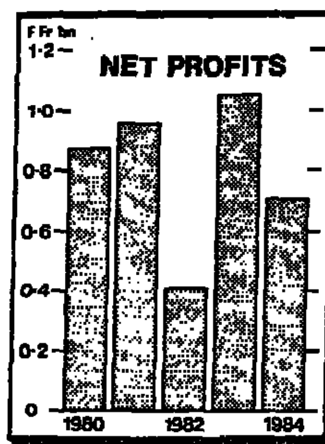
For the 12 months to the end of November, the airports handled more than 52.7m passengers, up by 6.3 per cent from the previous 12 months.

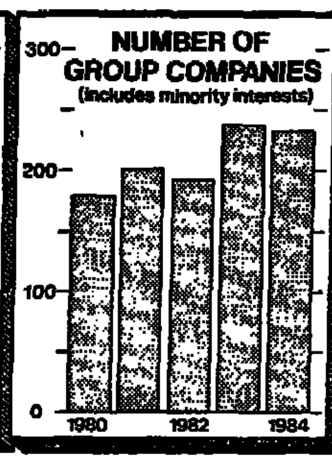
During November, traffic handled by London's Heathrow rose by 3.1 per cent to exceed 2.25m, compared with November, last year, while Gatwick, London's second airport, showed a 9.4 per cent gain to 776,000.

● Glasgow Airport's terminal is to be extended over the next 10 years in a scheme aimed at keeping that airport in the forefront of regional airport development.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ



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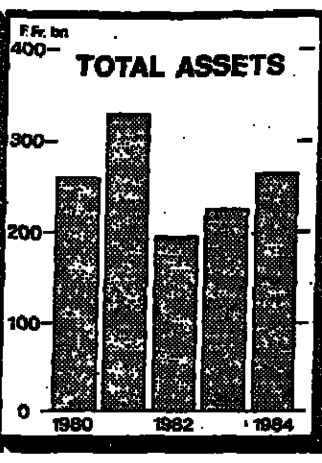
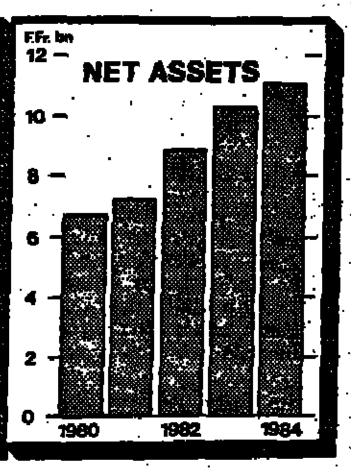




A vocal exponent of pragmatism

David Marsh talks to Jean Peyrelevade, the French Government adviser turned chairman of Compagnie Financiere de Suez

JEAN PEYRELEVADE, the Socialist banker at the helm of France's state-owned Compagnie Financiere de Suez, has been navigating a uniquely tricky passage during the last three years.

Peyrelevade was previously one of the main economic advisers to Pierre Mauroy, the first Prime Minister in the Mitterrand administration which came to power in 1981. He played a key role in putting into effect the Socialists' nationalisation programme which in February 1982 brought Suez, along with a wide swathe of French banking and industry, into state ownership.

Since promotion in March 1983 to chair Suez — a sprawling industrial and financial holding group with net assets of more than FFr 11bn (£965m), first set up in 1858 to build the Suez Canal — Peyrelevade, 46, has crossed over to the other side.

His response to the dilemmas and difficulties of running a nationalised financial group — many of them unforeseen in 1982 — has been instructively ironic.

Sharpened by the experience of living with the consequences of nationalisation, Peyrelevade has emerged as one of the most vocal exponents of pragmatism in Socialist economic policies.

He is now openly in favour of private shareholders progressively taking minority stakes in companies wholly nationalised in 1982. And, unlike most of his fellow nationalised company chairmen, he is not afraid to criticise the Government in public for not fully living up to its duties as a capitalistic shareholder in financial groups like Suez — although he thinks that the state's handling of the industrialised companies nationalised in 1982 in general has been a success.

The spread of the Suez group's activities reads like a roll call of the strengths and weaknesses of French industry and finance. A total of 57 per cent of consolidated profits of FFr 1.04bn last year (reduced to FFr 705m at the net level because of charges associated with the progressive sale of its stake in the Credit Industriel et Commercial banking group) came from abroad. With operations across 90 countries, the group maintains a strong presence inherited from colonial times in the Middle East, Asia and Africa.

Suez cost the State FFr 4bn to take over in 1982, on the basis of its prevailing value on the stock market. Its market value, after successive capital increases and a big rise in the Paris bourse, is now around FFr 11bn on the basis of the present stock market price of non-voting preference shares (certificats d'investissement) issued to private shareholders this summer.

Suez is one of the main companies which the right wing opposition has promised to denationalise if it returns to power in general elections next March. The electoral deadline thus not only poses a question mark over Peyrelevade's future — but could also potentially herald partial dismemberment of one of France's most many-sided and least understood conglomerates.

"When I arrived," says Peyrelevade, "the company did not appear to have a strategy. There was no one responsible for taking non-banking participations, no corporate planning, no budgetary procedures."

Peyrelevade's response has been to build up a stronger head office team working on taking investments in small and medium sized businesses, including some in the venture capital area. Peyrelevade has also been trying to forge the company's international trading and transport interests into a more effective force. And through efforts to link up the group's banking and insurance interests, he is attempting to boost the group's expertise in selling deregulated financial services.

He has brought in three new assistant managing directors to look after the industrial, financial and trading parts of Suez's business. Respectively, they are Gerard Worms, 49, formerly managing director of the Rhone Poulenc chemicals group; Bernard Egloff, 50, a long-time Suez executive who entered the group in 1962; and Patrick Ponsolle, 41, who joined the group in 1983 from the civil service, where he was one of the top aides to Laurent Fabius, the present Prime Minister, during the latter's time as Budget Minister.

Worms admits that Suez is on a "learning curve" in building up its investments in promising small and medium businesses. Although it has assembled an important financial arsenal in the form of a newly-created FFr 550m investment company with other banks and institutions, the pace of investment has been slow up to now.

Aggressive

Some of Suez's competitors say this is partly because the group is not aggressive enough. An executive in charge of investment banking at a leading US bank in Paris says: "In this business, you have to be a killer. They are not killers."

Suez owns 100 per cent of Banque Indosuez, a product of the takeover in 1972 of the Indochine banking group and merger with its own banking activities. One of the most internationally active and dynamic of French banks, Indosuez accounted last year for 38 per cent of the group's net assets and 47 per cent of profits. The bank's assets in Saudi Arabia—where it owns 40 per cent of Al Bank Al Saudi Al Fransi — are worth FFr 1.1bn. The problems in the Saudi banking sector have caused a drop in this bank's profits this year.

Suez lost through nationalisation its prime industrial holding of 17.5 per cent in the steel and glass conglomerate Saint Gobain Pont à Mousson built up through acquisition and merger in the 1960s. But among the 233 investments included in its accounts for last year are important minority stakes in Bouygues, the country's largest construction group, and Société Lyonnaise des Eaux, one of France's two big private sector water utilities.

After an interim period of stewardship under Georges Plescoff, the former head of Assurances Generales de France, Peyrelevade 31 months ago took over Suez as the group's fourth chairman in two years.

Inheriting a financial and industrial empire which had expanded and grown powerful during the boom years of the 1960s and early 1970s but which had been weakened by nationalisation, Peyrelevade's first task was to reconstruct its strength. Ironically, in a series of complicated operations during the past 2½ years, Peyrelevade has been rebuilding Suez partly by re-absorbing banking subsidiaries and financial affiliates from which it was separated by nationalisation.

He has also had to make his peace with powerful figures from the former Suez management who, using personal connections and cross-shareholding links across the family of Suez participations, have succeeded in removing parts of the group from central parent company control.

Unlike Paribas, the other of the two private sector holding groups whose apparently remorseless ascent attracted the hostility of the Socialists in Opposition before 1981, Suez since nationalisation has been singled out to assist several "lame duck" banks nationalised in 1982.

However, Peyrelevade in his previous career with Credit Lyonnais, the No. 2 nationalised bank, was pleading the need for economic rigour long before the Socialists were forced to choose it as official policy. Since leaving the Prime Minister's office for Suez's headquarters in the Rue d'Astorg, he has shown steely determination in resisting day-to-day intrusion by the Government into the group's affairs.

Peyrelevade, who combines an informal business manner with a fierce Christian morality, chides the previous Suez management for paying insufficient attention to using the group's resources to strengthening France's industrial structure. Under Jacques Georges-Picot and Michel Caplain, two chairmen who, during 25 years, placed their mark on Suez after its Suez canal assets were nationalised by President Nasser in 1956, the company grew steadily through a series of acquisitions, mergers and stock market "coups." But in the more difficult business climate after the first oil shock, by the 1980s Suez appeared to have run out of steam.

Peyrelevade's efforts to reforge the group's former links have earned him the image of a "restorer" within Suez. "He's very prudent, compared with the barons who ran Suez before him," says one financial analyst.

Lord Cromer, a former governor of the Bank of England, who still sits on the board of the group's Suez International subsidiary, says he has the impression that Suez is "a fairly conservatively-run affair."

Jack Frances, now aged 71, the long-time Suez managing director during the Caplain era, is still on the board (along with Peyrelevade) of the Victoire insurance holding company in which Suez has a direct 34 per cent stake. Through his chairmanship of another holding company (Compagnie Industrielle, owned 18 per cent by Suez, and which owns 48 per cent of Victoire), Frances has effective control over Victoire, along with some other less important subsidiaries which are also partly owned by Suez.

Phillipe Malet, who chaired Suez after the death of Caplain in 1981 up to the 1982 state takeover, is also on the Victoire board. He is head of another of the tangled web of Suez holding companies, Lille, Bonnieres et Colombes, which owns companies in the industrial, property and oil sectors.

Influence

Shortly after he became chairman, Peyrelevade reached an agreement with Frances who, with the help of associates opposed to nationalisation, had built up controlling stakes in a number of companies formerly in the Suez sphere of influence. The deal brought back into the Suez net financial, insurance and trading companies. But industrial interests (including the loss-making Alsation textile machinery and diesel engine company SACM) were placed firmly under private sector control.

Frances, in an alliance with Jean-Marc Vernes, the chairman of the Beghin-Say sugar group, and the legendary Marcel Dassault, who still has a substantial stake in the nominally-nationalised Dassault military jet builder, is hoping that denationalisation will give his private sector financial empire a chance to buy a sizeable stake in Suez itself.

In a series of negotiations over building up new investments since 1983, the French Finance Ministry has been involved not only in its role as Suez' shareholder, but also as the owner of assets which Suez has been seeking to acquire. This clear conflict of interest has not helped speedy decision-making.

Peyrelevade says: "If anything, I would reproach the state for not having been sufficiently present as a shareholder —for not having realised how useful we could be." He says the state could have transferred to Suez more of its direct holdings in industry. He shows annoyance that negotiations over transferring a small part of the Government's 40 per cent stake in the Roussel Uclaf pharmaceutical company (54.5 per cent owned by Hoechst of West Germany) took two years to complete. This prevented Suez from benefiting from the sharp rise in the company's share price during this time.

Peyrelevade's main action on the financial side has been to decide to sell for FFr 1bn Suez' 40 per cent stake in the Credit Industriel et Commercial group.

Soon after the nationalisations, Suez was called on to help bail out the loss-making Banque de l'Union Europeenne, and also took over for FFr 505m cash-draining industrial assets from the former Rothschild bank, L'Européenne de Banque. Peyrelevade says that these assets have now appreciated in value.

Suez has also taken under its wing the troubled Banque Vernes and has acquired the profitable retail and instalment credit banks Sofinco and Banque Parisienne de Credit. All three banks were previously linked to Suez before nationalisation.

Of the possibility of denationalising Suez and other state groups, Peyrelevade says "the principle of bringing in private shareholders does not shock me." But he says France needs to maintain a strong state sector. "In view of the uncertainties in the world economy, for a company to have the backing of a state shareholder is no bad thing. What does shock me is that there are certain groups and people in France who are thinking not in terms of their future role as shareholders—or even in terms of money—but simply of acquiring power."

Business courses

Retail profitability. London. February 26-28. Fee: Full convention place £450 plus VAT; quarter/half/full day rates available. Early payment fees available before January 7. Details from RMDP, 61-63 Ship Street, Brighton, Sussex BN1 1AE. Tel: 0273 203581/3. Telex: 87323 FS1 G RETAIL.

The essentials of commercial contracting, London. February 11-12. Fee: £437. Details from Miss Cordelia Currier, Lion International, Premier House, Southampton Row, London WC1B 5AL. Tel: 01-833 2705. Telex: 24667 (IMP-EMP G) Attention: Lion International. Fax No: 01-330 6458.

Techniques of scenario planning, Brunel, February 3-7. Fee: £625. Details from the secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: 0895 56461 Ext 215.

How effective is your personnel department?, Uxbridge, January 22. Fee: £145. Details from the Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: 0895 56461 Ext 215.

New product development, Banbury. February 19-21. Fee: Members £253; non-members £345. Details from the Courses Secretary, The Market Research Society, 15 Belgrave Square, London SW1X 8PF. Tel: 01-235 4709.

Supervision — an introduction to managing people, London. February 5-7. Fee: Members £330 + VAT; non-members £380 + VAT. Details from Course Secretary, BACIE Training Services, 16 Park Crescent, London W1N 4AP. Tel: 01-636 5351.

Successful public relations, London. February 4-5. Fee: £431.25. Details from Miss J. K. Van Wycks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Ave, London WC1A 2QT. Tel: 01-242 4111. Telex: 896827 TACS G (ref. 1202).

Qualitative methods of research: a matter of interpretation, Amsterdam. February 5-7. Details from ESOMAR Central Secretariat, J. J. Viottastraat 29, 1071 JP Amsterdam, The Netherlands. Tel: (020) 64.21.41. Telex: 18535 ESMAR NL.

Handling customers by 'phone and by letter to improve the company's sales and image, London. February 20. Fee: £110 + VAT. Details from IM Marketing Training, Moor Hall, Cookham, Maidenhead, Berks SL6 9QH. Tel: 06285 24922, Ext 29.

TECHNOLOGY

EDITED BY ALAN CANE

Fax of life—Japanese style

Roy Garner in Tokyo on office automation pitfalls

JAPANESE TRADE barriers are gradually crumbling with the result that growing numbers of Western companies are contemplating a local presence to take advantage of Japan's large and dynamic consumer markets.

A significant difficulty, however, for such companies is establishing the best way to handle their data processing requirements in Japan. A company could pay dearly for too many mistakes here.

Richard W. Sullivan of the consultancy Arthur Andersen, is one of a limited number of foreign analysts with substantial experience of this problem.

Now leaving Japan after four years, he has several pertinent points to make about Japanese office automation and the hurdles incoming Western companies have to overcome to make the best of it.

First, familiar equipment is unlikely to be on offer, he says. "The equipment people are used to is not generally available." Companies such as Mitel, AT & T and Siemens have either not yet arrived or are very new in the market so must either be imported or purchased locally: "The first thing to put in your office is a facsimile (fax) machine—perhaps a multiple fax. Telex is virtually useless over here; fax is the primary mode of operation."

In Japan, as in truth in the West, business people tend to buy word processors and personal computers unit by unit.

Mr Sullivan recalls one Japanese company which had bought 150 personal computers from 12 different vendors and of 25 different models, a policy which he says is typical of Japan, where each department makes its own purchase decisions, leading to a "fruit salad" of equipment.

Changes are in the wind, however, and signs of a more co-ordinated approach to O/A have come in the wake of the launch of the IBM 5550 "Multistation." Following the IBM lead, more Japanese sellers and buyers are looking towards the multi-function workstation concept for the office.

There are few installations as yet, largely because the Japanese are unclear how they can justify the extra financial outlay.

If, for compatibility, a company buys non-Japanese imported equipment, the costs are likely to be 50-100 per cent above those for Japanese goods. Also, whereas large discounts can be found for Japanese machines, high distributor margins and import tariffs of between 4.9 per cent and 6 per cent mean that discounts for foreign goods will rarely be above 10 per cent.

Mr Sullivan believes that, at the PC or word-processor level, imported goods can be a feasible proposition for the new entrant, but there are technical hurdles to cross.

Japanese machines feature a built-in auto-switch which allows for either 50 cycle or 60 cycle operation, as used in different regions of Japan, but foreign goods sometimes need modification.

The real problems come when communications are involved. Items such as modems and PBXs, which have to be hooked up to the phone system "are a waste of time and money to bring over from the west." One simple problem is that each individual manufacturer of telecoms equipment must acquire government licences for its specific equipment, but difficulties are broader.

Many pitfalls can be seen to await the unwary newcomer on the communications scene, and the problems are compounded by a scarcity of experienced telecommunications consultants; Conversely, for many foreign telecommunications sellers, Japan's inexperience could provide a business bonanza.

Mr Sullivan says: "You can really cash in here with any telecommunication cash-saving devices, now that deregulation has come. It is easy to see players lining up for the telecoms market, and the rapid changes demand almost a daily monitoring of the scene.

For the ordinary user Mr Sullivan suggests there can be big savings for those companies which make sure they know what is available.

Mr Sullivan stresses that there is a wide variety in the office solutions which will suit individual companies, and thus when it comes to buying equipment he suggests five basic guidelines to help overcome the differing requirements of individual operations:

- buy software, not hardware; costs of customised softwares can be as much as ten times that of basic hardware, and thus it is the software which one must get right first.
- remember that machines from different vendors often cannot communicate with one another and with compatibility "almost" is not enough.
- don't buy promises: "It is my experience that new software generally must be tried and proved before it can be relied on," and thus seeing is believing.
- avoid a fruit salad of equipment, with attendant problems, by carefully prepared purchasing.
- plan to commit substantial time and effort to making your O/A approch work first time.


Automation such as in this Japanese dealing room is the exception rather than the rule

Personel skills and organisational differences are other major factors influencing office automation. Of special importance is the Japanese aversion to the keyboard. As recently as three years ago Japanese language word-processing was a novelty, and previously few people had a typewriter or keyboard device. Except for companies less than three years old, almost no one in business today has keyboard experience.

Senior staff, wishing to avoid embarrassment in front of their subordinates, generally brand keyboard work as a clerical and executive support system and executive work-stations are thus a long way off.

Concerning office organisation, Mr Sullivan observes that the Japanese skills of quality control, legendary in the blue-collar sector, are not so impressive in the white-collar arena.

Looking far ahead, Mr Sullivan sees the eventual development of voice, or graphics-type, input as the most important catalyst of change. In the shorter-term, however, perhaps by 1987, he considers optical disks for use as storage devices have great potential.

Computer processing speeds are progressing rapidly but the slow operation of devices for the access of data from outside the computer is like tying a donkey to a jet plane."

Pressure for change exists however. Japanese companies are less concerned with financial savings than with finding a better response in operations through office automation. Foreign companies, meanwhile, are looking first of all for reduced overheads and they see automation as a key cost-cutting device."

Software treatment for personnel

AFTER YEARS of neglect, computerised personnel management systems have suddenly become the flavour of the month.

Why this should be, is tied up with the dramatic changes in economic circumstances over the past few years coupled with the falling cost of computer hardware.

Personnel was very much the poor erlation when larger companies were installing their tems on mainframes. Now that a company's competitiveness and survival may depend on its personnel policies, everybody is looking for help through automation.

Several companies already offer mainframe-based personnel packages — they include IBM, ICL, McCormack and Dodge, Package Programs, Pete boroughr Software and Plessey.

The chief growth, however, has been in packages destined for minicomputers and micros.

According to surveys by the Institute of Personnel Management, between 1982 and 1985 mini-based systems grew from five per cent to 13 per cent of all systems installed, micro-based systems from four per cent to 24 per cent while mainframe-based systems declined from 76 per cent to 55 per cent.

The small difference from 100 per cent is made up by a decline in companies moving away from personnel systems supplied by computer bureaux.

Low-cost micro-and mini-based systems made it possible for the personnel department to get away from the stranglehold of the data processing centre; it it was able to set up its own system, tailored to its own requirements without the need to join the backlog of jobs scheduled for the mainframe.

Now MSA, one of the largest independent suppliers of packaged software has launched an IBM mainframe-based personnel system with two unusual features for a package from this US company. It is one of the first MSA packages which the customer can tailor to his or her own requirements and it was designed and written in the UK.

The author is Brian Male, formaly a personnel manager with the John Lewis Partnership and now an MSA sales support consultant.

Mr Males says, the system has been designed to be extremely comprehensive in the information it will store.

The package operates in conjunction with MSA's Payroll package and its "Information Expert" a data dictionary and fourth generation language which provides the mechanism for retrieving the information.

The cost of the package is between £30-40,000 but can fall to considerably less, if a customer is an MSA user already.

MSA has some 280 IBM sites in the UK. The Royal Borough of Windsor and Maidenhead will be one of the first users of the system.

ALAN CANE

European venture for amorphous silicon

TWO BRITISH companies are supporting Messerschmitt-Bolkow Blohm of West Germany and Solems of France in a European-wide venture to make amorphous silicon, a "disordered" form of the element particularly useful in solar cells.

The venture is one of 10 technology projects announced last month under Eureka, the pan-European research programme backed by 18 West European countries.

Edwards High Vacuum of Crawley, Sussex, which is part of the BOC group, and Plasma Technology, based in Wrington near Bristol, have joined forces to develop a range of hardware to make amorphous silicon. The equipment will probably be used in Eureka.

The material is different from the monocrystalline silicon normally used in the semiconductor business. In the latter, atoms of silicon are arranged regularly in an ordered lattice framework.

In amorphous silicon, in contrast, the atoms are spread unevenly throughout the material. Predicting the positions of individual atoms is therefore difficult, which increases the problems of turning it into integrated circuits.

In theory, however, amorphous silicon can be produced more easily and cheaply than the better known form of the element. To make the latter, crystals are deposited from molten silicon using expensive machines called crystal pullers.

To make the amorphous variety, atoms from a gas such as silane (silicon hydride) are deposited on to a substrate such as glass or stainless steel.

Companies in Japan and the US, for instance Nippon Steel and Energy Conversion Devises, have pioneered applications of amorphous silicon.

In particular, this form of the material has become useful in photovoltaics, the conversion of sunlight to electricity in silicon solar cells. Cells made from the amorphous form of the material can be turned out cheaply.

So far, however, little activity in amorphous silicon production has taken place in Europe. This is in spite of the fact that many of the scientific principles behind production were first investigated at two British research centres: STL (the research laboratory of STC, the telecommunications company) and Dundee University.

Edwards High Vacuum and Plasma Technology say they are "actively supporting" the venture by MBB, best known for aerospace, and Solems, owned by Total, the oil company. Mr Alex Mudge, systems business director at Edwards, says he hopes MBB and Solems will buy equipment from the British joint venture within a year.

The two UK companies may also help the European project by collaborating in further research, for instance in how to increase the efficiency of solar cells made from amorphous silicon.

There is speculation that a further British company, BP, could become involved. It is working on amorphous silicon at its main research centre at Sunbury-on-Thames, near London, but is keeping its research under wraps for fear of divulging information to competitors.

In the machines developed jointly by Edwards and Plasma, a set of chambers deposits layers of amorphous silicon and other materials on to a glass substrate. In each chamber, a gas in the form of a plasma (hot ions) releases silicon in the amorphous form to build up a thin film of material.

A three-chamber system would cost about £300,000. In production, the glass substrate would be transferred automatically between the three chambers.

PETER MARSH

Hardware for factory control

THE National Engineering Laboratory in East Kilbride, is developing a set of general-purpose control hardware to help factories schedule their work.

The equipment will be of the kind based in offices of those who plan production. With the hardware, to be based on four MG-1 computers made by Whitechapel Computer Works of London, staff at the laboratory will attempt to co-ordinate factors such as demands from customers for finished products and the availability of factory hardware and operators to do specific jobs.

The system will use graphics displays so that a manager could call from the computer detailed diagrams of parts that he wants to turn out. Details such as work plans could be displayed in the form of bar charts.

The system would also tell planners the results of issuing invoices to keep check on customers.

Another use of graphics could come from displays that show the consequences of re-arranging of factory machines. This would enable staff to experiment with new layouts of hardware.

Workers at the laboratory, funded by the Trade and Industry Department, hope to finish prototypes of the system next spring.

Dual role chair

ROWCHAIR LEISURE, a company in London, is attempting to find commercial backers for a rowing machine that doubles as an ordinary steel chair.

The device, which could find favour among keep-fit enthusiasts short of space for exercise machines, features a sliding seat and a handle. By pulling and pushing the handle, the person moves the sliding seat to and fro, in the process building up leg, stomach and arm muscles.

More on 01-267 2112.

FINANCIAL TIMES SURVEY
Monday December 23 1985

PORTUGAL

TRADE · INDUSTRY · EXPORTS

Although the economy is performing better, Portugal is beset by doubts about entering the European Community. In agriculture and industry fears are widespread about impending competition.

Euphoria wanes over EEC entry

Turbid waters ahead for Prime Minister Cavaco Silva on the eve of Portugal's accession to the European Community

By DAVID WHITE

ONLY A WEEK away from EEC accession, the Portuguese should have reasons to be optimistic. Within the Community framework, the country can see its path ahead in a way it has not been able to since it ditched its archaic dictatorship in 1974.

After a spell of forced austerity under the tutelage of the International Monetary Fund, the economy has this year performed better than forecast, and has started growing again.

Inflation, which is expected to end the year at 15-17 per cent, is going down, and so are Portugal's high borrowing rates, so off-putting for industry. A large inflow of EEC funds — this was top priority in the country's negotiating strategy — brings with it the promise of modernisation, especially in the rural interior.

Inflation lower

Textiles, the main export, are from now on safe from any protectionist threat from Europe, and quota limits are due to disappear.

None the less, worries are widespread in both agriculture and industy. Two important lobbies are opposed to entry—the communist union movement, for ideological reasons, and a conservative corporate sector, which questions whether Portuguese manufacturers are in any fit state to take on EEC competition.

In the country as a whole, any euphoria over the achievement of the European goal has been somewhat lost in a mood of general depression.

Certainly, securing Portugal's accession to the EEC was not enough to win Mr Mario Soares' Socialist party an election. With Mr Soares, the outgoing prime minister, himself standing aside, the party fell back into second place in parliamentary elections in October, as its Social-Democratic coalition partners surged ahead under a new and distinctly more right-wing leadership.

The new Prime Minister, Mr Anibal Cavaco Silva, at the head of a one-party minority government, arrives with a much more expansionist message after the belt-tightening that has characterised the past two and a half years.

It was a tempting moment to force elections—and an appetising one for a new Government, with the worst of the recession over and with financial support about to materialise from the EEC.

The Soares Government had the hard and politically costly task of correcting economic imbalances and halting a soaring foreign debt. In the event, the conclusion that Mr Cavaco Silva reached at the same time as some leading socialist economists was that there was an over-correction.

The deficit on Portugal's balance of payments current account, more than $3bn three years ago, is expected to be less than $200m this year. Imports have gone down, mainly a reflection of the recession, while exports have increased strongly, partly because companies have been unable to sell on the weak home market.

The current view is that there is room to let the external deficit increase and to go for higher growth and consumption.

Thanks to continuing export strength—in the last three years, Portuguese exports have risen some 45 per cent in real terms—the economy has already returned to growth this year. At the same time, real wages have stopped declining after two years of steep setbacks.

However, investment has shown no sign of picking up. It plummeted by 20 per cent last year and has kept dropping in the interim. Mr Cavaco Silva blames business hesitation on a lack of confidence in the previous government and in the credibility of its programmes.

But the change of government has failed to dispel political uncertainties. Portugal's political waters are, if anything, more turbid now than they were before.

The governing party has to rely on support in parliament from the new Democratic Renewal party, a formless and ill-defined movement tied vaguely to President of the Republic, General Antonio Ramalho Eanes, and to ideas of social progress and clean government.

Second pillar

Mr Cavaco Silva's objective of establishing a firm new leadership from the centre-right requires a second pillar in the figure of presidential candidate Mr Diogo Freitas do Amaral, a former Christian Democrat leader whom Mr Cavaco Silva's party is backing in next month's election to succeed General Eanes.

If this gambit should fail, it would leave a presidency at odds with the Government. A formula which, as past experience has shown, can make life complicated.

The new Government has announced that it will go for controlled growth, encouraging the private sector, reducing state interference and cutting both company and personal taxes. By using the market to finance the government deficit, it aims to combine this with an increase in public spending.

A modest increase in real wages is foreseen, in a bid to revive consumption levels. However, Portugal has still to contend with the introduction of value-added tax, which has been postponed for six months.

Mr Cavaco Silva—who, unlike Mr Soares, will keep his own hand on the economic tiller—reckons he can boost investment at the same time as fighting inflation and controlling the foreign account. He says he can lower unemployment from 11 per cent to 8 per cent in four years and bring inflation down to around the EEC average.

As a pledge of faith on the inflation front he has suspended the month-by-month devaluation of the escudo—hoping to build up the currency's prestige in the new community environment.

He also aims to carry through two tasks left pending from the previous government — easing the rigid hiring-and-firing laws and "rationalising" the nationalised sector. But in these politically sensitive areas, lack of clout in parliament threatens to be a big handicap.

Labour rigidity is considered one of the main constraints—real or psychological—on industrial investment and modernisation. Under current practice, the only way to scale down an established work force is by offering voluntary redundancy deals.

Portuguese private industrialists complain that, unlike foreign companies with ready resources, which may still find this solution cheaper than keeping workers on, they cannot afford the enticement packages.

Temptation

Work on tackling public enterprise was at an early stage when the Soares coalition collapsed this summer. A government report at the end of last year painted a vivid picture of the state of the 18 companies, with 70,000 employees, which make up the nationalised industrial and energy sector. The report found them ill-dimensioned, decapitalised and encumbered by complex mergers.

Portugal's nationalisations of 1975 and 1976 were carried out on political rather than economic grounds. Under the old regime, according to the report's figures, seven private groups controlled 300 of the 411 most important companies in the country.

The takeovers were a wholesale operation, including newly-developed and problematical intermediate-goods sectors. They embraced steel, mining, tobacco, paper and pulp, chemicals, cement, glass, shipbuilding, petrol, gas electricity and a few oddments besides (such as two breweries).

Post -revolution governments fell prey to the temptation to use the nationalised sector as an economic policy instrument in response to the oil crisis. State companies were obliged to take on costly foreign debt and some—especially the electricity company—to accept late payments.

The report estimated that 40 per cent of the Es 500bn ($3.14bn) needed to put the companies back on their feet was money owed by state and local bodies.

With soaring financial costs, losses in the 18 companies rose from Es 560m in 1977 to Es 63bn last year. The report concluded that selling off companies or participations was "desirable in many cases."

However, privatisation can only be undertaken in the framework of constitutional reform—as matters stand, the takeovers are constitutionally irreversible—and Portugal can ill afford to wait for that to happen.

Efforts have been made to discipline financial management, but apart from slashing investment programmes, the only major measures so far have been a cutback in the shipyards and the winding-up of two shipping companies.

The private sector is another whole problem. Also under-capitalised, used to relying on the state for protection, its worries have been aggravated by low demand. Lacking the finance to install new equipment, many industrialists are alarmed at the prospect of increased competition, particularly from "third" world countries, after EEC entry, and say that a seven-year transition is not enough.

Companies which up to a decade ago had captive markets in Portuguese Africa have been forced to adopt a new mentality and seek new outlets. But, assisted by the steady devaluation of the escudo, they have as a whole failed to make necessary adjustments to their cost structures.

There are, however, instances of Portuguese industries adapting well and using the flexibility that small size gives them—in fashion garments, for instance, or bed linen, or the shoes which Portugal sells in quantity to the UK.

More than half of Portuguese exports—in which foreign companies play an important role—already go to the EEC with Britain currently the number one client. But in non-traditional sectors such as engineering, which take an increasing share of total exports, Portugal relies heavily on developing-world markets.

Up to now, most exporters have benefited from a generous support programme including development contracts and subsidies on interest payment. The fact that this now has to be reorganised to comply with the EEC provides just one of the many unknown factors after January.

Main Exports

Fob 1984 (Es bn)	
Agricultural and processed agricultural	85.7
Minerals, ceramics, glass (and articles thereof)	56.7
Chemical and allied industries	64.3
Wood and cork (including pulp)	110.2
Textile, clothing, footwear and accessories	256.5
Machines and transport equipment	119.4
Exports (cif) by groups of countries (Es bn)	
EEC	497
Efta	59.2
US	153.8
Comecon	15.5
New Portuguese-speaking countries	8.2
Others	506.2

Imports and Exports

Escudos bn	1982	1983	1984
Exports of goods and services	460.8	685.4	1,025.0
Imports	822.1	973.0	1,238.7

Economic Indicators

	1983	1984
Per capita GNP	$2,047	$1,867
Unemployment (%)	10.4	10.8
Trade balance ($bn)	3.075	2.031
Current account balance	−$1.64bn	−$520m†
Growth rate of productivity (%)	−5.3	0.2

† 1985 (forecast) −$200m.

Source: Bank of Portugal.

Main Imports

Groups of products 1984 (Es bn)	
Agricultural and agricultural by-products	199
Mineral products (including oil)	342.8
Chemical, plastic and allied industries	131.6
Hides, leather, wood and paper	41.4
Textile raw materials	89.7
Machinery and equipment	155.3
Common metals and metal articles	77
Transport equipment	64.6

Contents

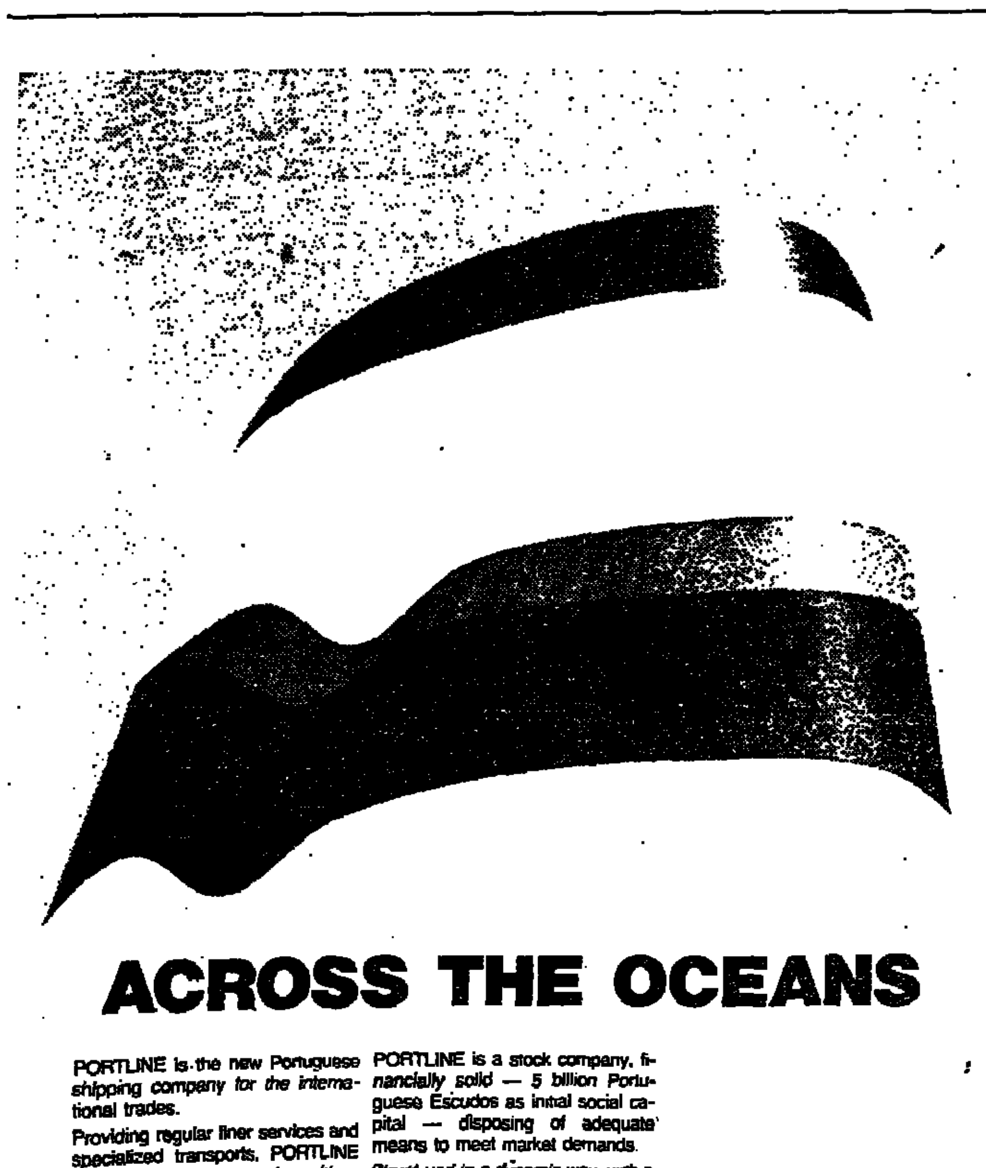
Industrial policy: juggling with a restrictive constitution to limit losses in the public sector 2

Textiles production: mixed blessing of entry into the EEC 2

Footwear: Portugal's biggest success story 2

The North: stronghold of the country's private sector gains a bigger voice in Lisbon ... 3

Agriculture: The country's Achilles Heel worries about competition after joining the Community 3



Plans to reconstruct and modernise public sector

Industrial Policy
DIANA SMITH

GOVERNMENTS have come and gone before they have had time to put consistent industrial policies to work. Each administration in the last five years has vowed to modernise a sector that ranges from large, generally loss-making *state-owned industries through* a few hundred growingly competitive medium-sized private companies to thousands of tiny concerns with a handful of workers, struggling to survive on bank loans and hopes of lucrative orders.

The new minister of industry and trade, Mr Fernando Santos Martins, an experienced industrial manager and former head of a pioneer leasing company, is the latest in a queue expected to juggle a restrictive constitution that bars denationalisation of industries swept into the public net in revolutionary 1975, with an ever-more urgent need to limit the erosive losses of the public sector, yet has to encourage a private sector that will soon face the challenge of the EEC whose efficiently-produced goods will move freely on the formerly-sheltered Por*tuguese market.*

The goal of the new administration—couched in rather flowery language in a long programme that covers everything from finance to sport—is to *foster an "integrated, logical,* coherent and versatile industrial system." It seeks to develop a limited number of high-technology units, modernise mining legislation—since Portugal has important mineral resources—reassess the investment and divestment programmes of public sector industries, step up training in new production methods, and establish better patterns for quality and standardisation.

The Cavaco Silva Government stresses its faith in private enterprise as the "true, irreplaceable source of economic and social development;" which means, in its view, more dynamic capital markets, tax incentives and easier credit.

With the conditions the Government proposes to create, facilitating private investment, it hopes to elicit a big investment effort in the next few years, after stemming falls in investment in the 24 months of rigid austerity that have just ended.

Tax review

The Government plans to review the tax system—not only in the light of introduction of VAT as of January 1, but to soften hitherto-discouraging rates of industrial tax and make the *system less complicated.*

Meanwhile, the Government, like its predecessors, wants to do something constructive about the deeply-indebted public sector. In 1984, state-owned industries ran up losses of Es63.2bn ($380m); three companies alone were responsible for three-quarters of this loss; CNP (the petrochemical corporation) with Es26.3bn in the red, Setenave, the shipyards, with Es13bn in *losses,* and Quimigal, the basic chemicals corporation, with a loss of Es19.1bn.

The new Government claims that unless reasons of national strategy or vital community interest are involved, state-owned industries must subject themselves to *competition on* the open market — that is, if their medium-term economic and financial viability is not guaranteed — it will not hesitate "to apply appropriate measures that *will save the* population as a whole unjustifiable social costs."

Translated into language less reflective of the Government's awkward status as the administration with the *weakest parliamentary* minority since 1975, that means that, like its predecessors, it must seek a way to cut losses without bringing the wrath of the left which militantly defends hundreds of thousands of *public sector jobs in the Lisbon* area, down on its head, with motions of censure in parliament and debilitating strikes in the factories.

For a start, this Government demands better management in the public sector and more flexible access to capital.

The sector cries out for restructuring and for several years the World Bank has tried to negotiate with a succession of governments a loan of up to $300m that would permit the state to reshape its heavy losers.

The previous centre-left administration had a strong parliamentary majority but lacked the political nerve to tackle public industry. This administration appears to have more nerve in principle: but what its minority status will allow it to do in practice is still unclear.

Meanwhile, imminent EEC accession holds not only awesome challenges but the prospect of helpful funds and technical assistance for the Portuguese entrepreneur who wants *to modernise his company,* or set up a new venture in a backward area, or sell more to a problem area like Japan.

From the moment Portugal accedes on January 1, 1986, *public or private concerns that* can present suitable projects or acceptable proposals, will be able to tap the Community resources that seem almost tailor-made for a country like Portugal whose industrialisation hardly existed before the 1960s, and which has to make giant strides to catch up with average Community levels.

The Community's social fund is a particular boon to Portugal *which has badly lagged behind* in job and management training: with no ceiling for the moment on the money available to Portugal the *fund* can provide resources for vocational training and job creation, restructuring, traineeships or apprenticeships in Community countries and training schools.

New approach

Companies can get EEC help with research and development — much-neglected in a country long isolated from new trends — with advanced telecommunication systems, programmes applying new technology to traditional industries, industrial cooperation, industrial development in Lomé convention countries (of some interest to Portuguese investors now that former Portuguese *colonies are joining), and trips* to Japan to learn how its system works and how to sell more there.

With an old association with *Efta,* and new membership of the EEC, Portuguese manufacturers are now more firmly established on *European* soil after generations of ties with former African colonies that could buy only from Portugal.

Access to a fussy market of 350 *million* people requires a new approach. Many industrialists are showing healthy signs of preparing e thusiastically for the new era, but more fret at the threat from freer imports, especially from Spain —often forgetting that Spain's EEC accession offers them major sales opportunities now free of protectionist tariff barriers.

The coming months will tell whether the spirit of enterprise or the self-deprecating streak of national character wins.

Weaving at the Oliveira Ferreira textile factory

EEC entry raises big questions

Textiles production
WILLIAM CHISLETT

THE METAL door slid open in what appeared from the outside to be a residential building to reveal dozens of women cutting, pressing and packing high quality shirts for export to France. "In Portugal people are cheaper than machines. We could not afford to auto*mate production in this plant,"* said Mr Henry Tillo, a garments manufacturer in Oporto, and the new head of the city's Industrial Association.

It was a scene which could not have occurred in any other textile producing nation in Western Europe, where automation is the norm. The annual survey of textile costs conducted by the Werner organisation in Brussels shows Portugal at the *bottom* of the European league, paying on average $1.28 an hour in 1984 compared with $3.87 in Spain and $7.54 in West Germany.

Portugal has been successfully exporting clothes, knitwear, fabrics and fibres to the EEC, its main market, for the past 10 years in the face of quotas and duties. As of next January Portugal will have virtual freedom of access to the EEC. It will have to limit textile shipments to a 10 per cent increase in each of the next three years.

The textile industry, the country's chief exporter (28 per cent of total exports) and a major employer (300,000 direct jobs in a workforce of 4.5m) stands in the main to gain considerably from EEC entry, providing companies can keep their low labour cost advantage which gives them a strong competitive edge.

Community membership, however, will also weed out the strong from the weak concerns, because Portugal, in turn, will have to open up its protected domestic market.

The main beneficiaries of this will be the cheaper Far East producers, which are at present completely excluded from the Portuguese market.

The Multi Fibre Arrangement, the world accord which controls a large part of the international trade in clothes and textiles, runs out in July 1986. The new agreement is expected to give low cost Far East producers greater access to the EEC. Portugal will thus *face competition both at home* and overseas.

Warnings

There are some dire and probably exaggerated predictions about the impact of this competition on the fragmented Portuguese industry, which is largely made up of some 2,000 small and medium-sized enterprises with an average of 50 workers. Some parts of impoverished northern Portugal, the main textile area, depend entirely on textiles and closures would raise social tensions.

The 1,800 workers at the Cifa artificial fibre plant at Valongo have not been paid for two years and yet they still come to the factory every day, clinging to the remnant of a job rather than give up hope.

Those concerns, particularly yarn and cloth producers, which are operating at below cost to stay in the marketplace and/or are over-extended to the Portuguese banks after over investing in new machines are in a vulnerable position. The list of problem companies, according to textile experts, includes the *well known* name of Coelima, Portugal's largest manufacturer of bed linen and one of the three biggest in Europe, which is struggling to pay the high interest on loans used to modernise its equipment.

Rates of interest in Portugal range from 28 per cent to 40 per cent, depending on whether the interest is paid up-front. One textile concern's interest bill is greater than its sales.

Just over half the textile concerns consulted by the Portuguese Confederation of Industry in its latest survey described their financial situation as bad.

However the impact of competition on the depressed Portuguese market may not be that dramatic because the market is not very attractive for foreign producers. It is small (10m people) and spending power is low.

Textile exporters have started to shift emphasis from cotton towards woollen garments. "Our cotton shirts are no longer as cheap as the Far East's," *said* a businessman. Unlike the Far East producers, Portugal has to import all its raw cotton requirements.

The industry's strategy, which has been developed over the years with an eye on EEC entry, is to produce more ready-made clothes, the value-added sector. Total textile exports in the first six months of this year were Es 126.6bn ($781.4m) compared with $1.2bn for the whole of 1984.

Clothes and knitwear accounted for Es 77.2bn, 61 per cent of the total, compared with 57 per cent in 1984. The neighbouring Spanish market is viewed as particularly promising.

The Maconde enterprise, a *subsidiary of the Dutch* concern Macintosh, is the largest producer of men's clothing.

Portugal is also beginning to aim at the higher end of the clothing market in order to compensate for losing at the lower end to Far East producers. Clothing designers are now at a premium. Only three years ago there were many unemployed designers. A design institute has been set up in Oporto.

Cautious

After several years of heavy investment to modernise equipment, medium-sized and large concerns are now taking a much more cautious approach until they see a significant fall in interest rates to ease their high financial costs or ways to generate more sales.

Mr Tillo said enterprises were striking a "fine balance" between machines and people and that as long as wages remained low by European standards the textile industry could afford to remain labour intensive.

At the same time enlightened businessmen realise that wages are bound to rise. "People cannot live on the money they receive," said one businessman. "They are not animals."

A concerted effort is therefore being made to try to raise the generally low level of productivity so that wages can be increased without blunting Portugal's competitive edge. "We will have problems if our labour costs are ever the same as the rest of Europe."

Export successes boost industry's confidence

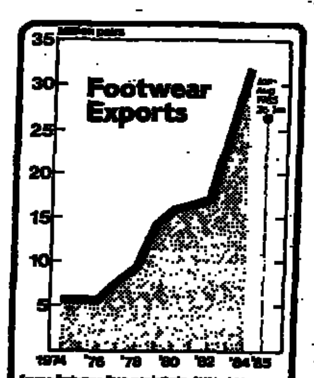
Footwear
WILLIAM CHISLETT

THE TOWN of Sao Joao da Madeira in northern Portugal is an anomaly: the myriad footwear concerns there cannot find enough people to work for them. In a country of high unemployment (12 per cent officially), the town has come to symbolise the fast-growing footwear industry which is Portugal's biggest success story.

In 10 years, footwear exports *have* risen from 700,000 pairs to over 35m this year. This sector now accounts for about 5 per cent of Portugal's total exports.

"The EEC does not see us as a serious threat, but we are taking the Community very seriously," said Mr Alfredo Jorge da Cunha Moreira, the chief economist at the Portuguese Footwear Manufacturers Association. This, he says, probably explains why the EEC imposed no restrictions on the *footwear* sector when *Portugal's membership* was negotiated, a situation which does not apply to textiles.

Portugal has cornered about 4 per cent of the EEC footwear market and the room for expan*sion is considerable.*



In the first eight months of this year total footwear exports rose 21 per cent to 26.1m pairs with a value of Es 32.7bn ($200.6m). The value rose by almost 50 per cent which, when measured against the proportionately smaller increase in volume, reveals the success which Portugal is having in exporting more high quality shoes.

With local shoe shows in Oporto, the centre of the footwear industry, and collections on show in Düsseldorf, Paris, London and other European cities, the Portuguese industry *is beginning to raise eyebrows* abroad.

The industry comprises around 1,000 companies, with one quarter of them employing fewer than 10 people. The big *concerns* like Campeao Portugues turn out casual, sporting and safety shoes at a rate of 14,000 pairs a day. It makes the chic Le Coq Sportif range for the French company. Elefanten, the West German concern, recently started to produce children's shoes. At the other end of the spectrum, small family businesses produce hand-stitched casual shoes.

Like the Japanese, Portuguese shoe entrepreneurs are learning the art of bringing back ideas and models from other countries and giving them a "Portuguese look."

Portugal's low labour costs mean that it can put shoes on foreign markets at prices about 20 per cent lower than local manufacturers.

When President Reagan decided earlier this year not to impose further barriers on imports of shoes into the US the sigh of relief in Portugal (indeed many European coun*tries) was almost audible.*

The US market is a small one for Portugal but it is viewed as potentially very lucrative. "If quotas had been imposed it would have been a disaster for us," *said Mr Cunha,* "because they would have been based on our present small volume." Had President Reagan blocked imports, the rapidly-growing output in countries like Taiwan and South Korea would have been diverted into Europe to the detriment of Portugal.

Exports to the US rose 32 per cent in the January-August period of this year to 1.1m pairs with a value of Es 2.4bn.

Portugal is beginning to feel the competition in its overseas markets from the cheaper Far Eastern producers in non-leather shoes. For this reason less effort is now being put into low cost synthetic fibre footwear and more into higher quality leather products.

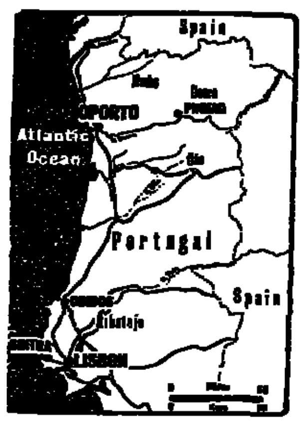
This competition from the Far East will, of course, be felt in Portugal itself next year when the protected market is opened up. It is a sign of the industry's confidence that it is not too worried by this. The main concern centres on receiving sufficient leather supplies to keep pace with production. Portugal produces about 65 per cent of its leather needs and raw materials are becoming more expensive.

Businessmen believe Lisbon is heeding their voice more often

A key role in the export drive

The North

WILLIAM CHISLETT



BUSINESSMEN in northern Portugal, the stronghold of the country's private sector and the powerhouse behind the export drive, like to tell visitors that the minority Social Democratic Government's economic programme was drawn up in Oporto, the area's capital.

The North, which has long complained that "Lisbon talks and dreams while Oporto works" is now better represented in the Government than at any other time in its history.

Mr Miguel Ribeiro Cadilhe, the finance minister, was the chief economist at the Banco Portugues do Atlantico's headquarters in Oporto. Mr Eurico de Melo, the Interior Minister, is a northern textile magnate and the politically independent Mr Luis Valente de Oliveira, the planning and territorial administration minister (a new ministry), ran the north's regional coordination commission under the last Socialist-Social Democrat coalition Government.

Several secretaries of state also have close links with the North, which have given the centre right Government a technocratic complexion.

The North, demarcated by the River Douro, contains some 36 per cent of the 10m population in an area representing one quarter of Portugal's mainland territory. It produces 30 per cent of the country's gross domestic product and accounts for around 40 per cent of exports chiefly textiles, shoes and port wine.

Northern voters played a key role in returning the Social Democrats to power. The party draws its support from a wide cross section of big business, small tradesmen and peasant farmers. They had become discontented with the blasé attitude of the Socialists in Lisbon and believed political power was beginning to corrupt them. Businessmen complained of a "Mafia system" under which the Socialists in the last government were buying political support by favouring those private enterprises which backed them with subsidised credit, government contracts and tax concessions.

Mr Henry Tillo, the head of Oporto's Industrial Association, said that businessmen hoped that the new Government would end the practice of giving cheap credit to some companies but not to others.

Cynics counter these accusations by saying the Social Democrats were annoyed at not getting a larger slice of the cake.

The North, generally speaking, also voted for the Social Democrats because they see them as more forward-looking and determined to push Portugal into catching up with the rest of Europe.

The last coalition government started to reform the financial system by opening it up to private Portuguese and foreign banks, but it shied away from the much more contentious issues of trimming down the elephantine and debt-ridden state enterprises; tackling the fragmented land tenure system whose myriad smallholdings prevent any meaningful agricultural reform and easing the rigid labour laws which make it costly to dismiss workers.

The easing up of the tough austerity programme, which exceeded even the wildest hopes of the International Monetary Fund, is largely due to businessmen in the North, although a modest reflation would have taken place had the coalition government stayed in power.

While the North is pleased with its greater voice in Lisbon, there is considerable concern that Portugal is entering a period of political uncertainty. The minority government is the 16th in 11 years.

The presence of an ill-defined leftist new party, the PRD, with 18 per cent of the vote, has compounded the already complex issue of presidential elections in January and could open a Pandora's box of constitutional problems.

"Portugal is getting a reputation abroad as some kind of European banana republic," said a leading Portuguese private banker.

Meanwhile, the stronger representation of the North in government will give the region a better chance of receiving a fairer share of the funds to resolve its structural problems and reduce the imbalance in favour of the Lisbon-River Tagus region whose heavily subsidised state industries are a drain on the state coffers. At stake is access to Ecu 300m a year of EEC funds to support the regions.

The North of Portugal is the youngest region in Europe. Almost 30 per cent of the 3.5m population are less than 15 years old compared to one quarter of Portugal's population as a whole.

Over 80 per cent of the people in the North live in the densely populated coastal areas and the rest inhabit some of the poorest and most cut-off places in the country.

Significantly the new Government has taken responsibility for planning and regional administration away from the finance and interior ministers respectively and brought them into a new ministry which will also receive the funds, both domestic and from the EEC, for regional development.

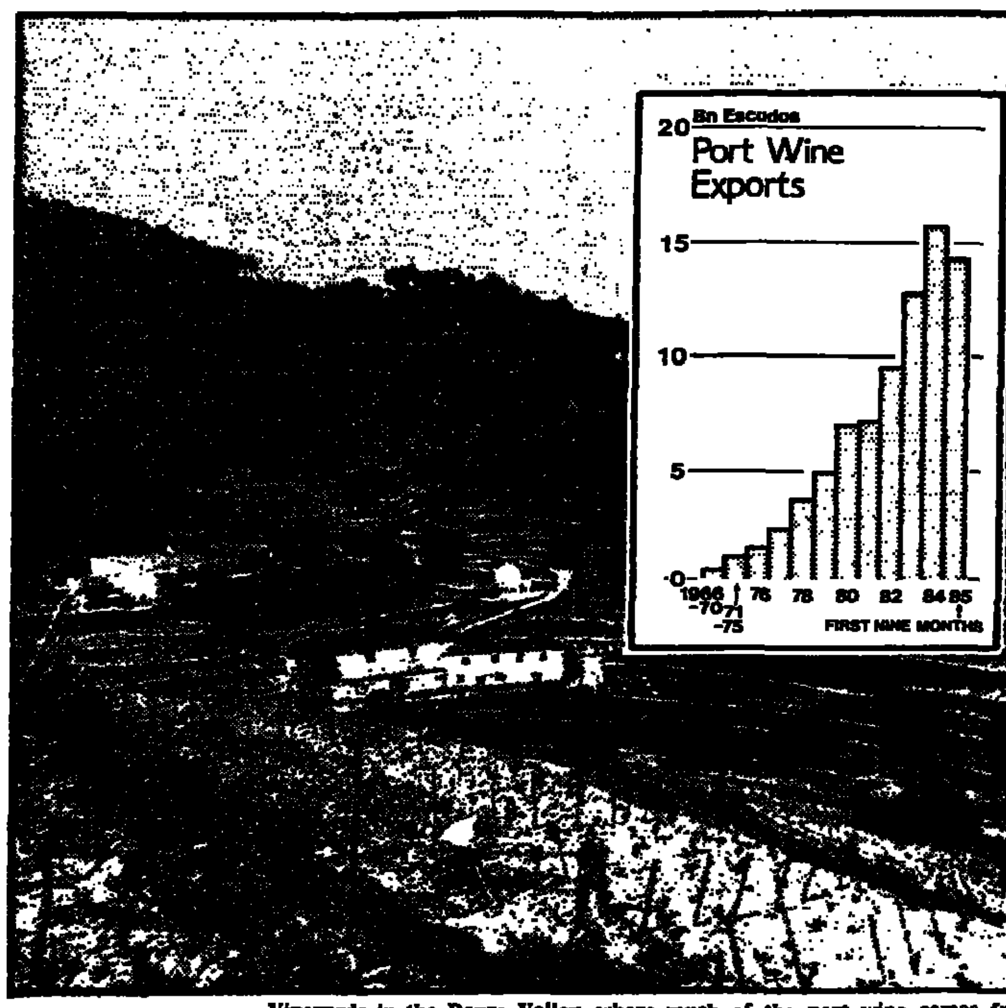
This should cut out the inter-ministerial squabbling that went on before and which, for example, led to Lisbon taking two years to give the final approval to the rural project for the north's deprived Tras-os-Montes area, even though the Government's representatives on the spot had already approved the scheme.

"Up here you need 15 per cent competence and 85 per cent patience," said Mr Arlindo Marques Cunha, a senior official at the north's regional co-ordination commission.

Industrial estates are being built in the north to encourage new jobs; the River Douro is being deepened to facilitate bulk cargo shipments of wine, wood and stone to the coast, as well as the movement of tourists, and next year work should begin on constructing a 35 km highway from Oporto to Farnalicao, a textile area. It can take up to two hours to travel 40 km by car on some of the unpaved narrow country lanes which have potholes the size of vehicles.

The North's vitality and growing muscle is vividly illustrated by the re-emergence of a private banking sector in Oporto. Banco Portuguese de Investimento (BPI), which earlier this year became the first fully fledged private Portuguese bank since the banking system was nationalised in 1974; Banco Commercial Portugues and last month Banco de Comercio e Industria all have their headquarters in Oporto.

Mr Artur Santos Silva, BPI's president, said net profits would be about Es 200m ($1.25m) this year, compared to Es 83m in 1984. The new private banks, whose shareholders are some of the main companies in the North, have brought down the cost of financing for companies by placing private bond issues, which are several percentage points cheaper than bank credits from the nationalised banks. BPI's cash management service is encouraging companies to invest their excess liquidity rather than put it into real estate or keep it in the company vault.



Vineyards in the Douro Valley, where much of the port wine comes from

Glyn Genin

Banco Portugues de Investimento

	1982 (Es)	1983 (Es)	1984 (Es)	1985 (estimate) (Es)
Total assets	2.6bn	4.6bn	7.7bn	11.5bn
Loan portfolio ...	1.7bn	3.5bn	5.7bn	8.5bn
Net profit	27m	52m	83.5m	200m

Source: BPI

Competition may force radical changes

Agriculture

WILLIAM CHISLETT

Average Yields

Unit: ton/ha

Crop	Portugal (1982)	Spain (1983)	Greece (1983)	Great Britain (1983)	Denmark (1983)
Wheat	1.2	2.5	2.8	7.6	7.2
Rice	4.2	5.7	6.5	—	—
Oats	0.5	1.7	1.6	5.1	4.8
Barley	0.7	2.7	2.4	5.5	5.2
Maize	1.2	5.6	9.7	—	—

Source: Instituto Nacional de Estatística

Cereal Imports

(Millions of tons)

	1975	1978	1981	1982	1983	1984	1985†
Wheat ...	299	637	764	625	616	793	774
Barley ...	9	49	37	48	20	43	50
Maize	1,208	1,673	1,980	2,418	2,228	2,010	1,700
Rice	49	51	162	110	30	101	120

† Estimated.

Source: Portuguese Government and US Embassy

PORTUGAL'S ENTRY into the EEC is going to be traumatic for the backward agricultural sector, the country's Achilles heel. Officials are nervously hoping that the "shock" of joining the Community will act as a catalyst and force farmers to reorganise the archaic land tenure system and raise the miserable level of productivity.

They see no other salvation for a sector which has become a serious drain on the balance of payments.

Some 27 per cent of the 4.3m workforce live off the land (8 per cent on average in the 10 EEC countries). Yet Portugal still has to import over 60 per cent of its food and animal needs at a cost of around $1bn. These 1.1m people, who produce 9 per cent of the GDP, work in over 840,000 farms, whose average size is 5.7 hectares (15.7 hectares in the EEC 10).

This makes mechanisation impractical: there is hardly room enough to turn around a tractor in the 300,000 units with less than one hectare each. The Government's price - support policies, which have subsidised inefficiency, make the two-cow farm a going concern.

Portugal's prices for key products like milk and wheat are much higher than the EEC's because of higher costs. In the case of wheat the price is 50 per cent higher.

Farmers, many of whom are illiterate, are in for a big shock when they realise that many prices will have to be adjusted downward not upward. How the Government tackles this volatile issue remains to be seen.

It is assumed that Portuguese support prices will have to be frozen in Ecu terms during the first stage of the 10-year transition period.

After that Portuguese prices will have to be reduced in real terms, unless EEC prices move up to Portuguese levels, which appears unlikely.

The hope, perhaps forlorn, is that by the end of the transition period Portugal will have radically transformed its agriculture through a Ecu 700m ($588m) aid programme, which is unique in the history of EEC accession, and other investment.

If this happens then Portuguese farmers will be able to compensate for lower prices with higher productivity and be in a better position to face competition as barriers are taken off the protected domestic market. The competition from neighbouring Spain whose agriculture is much more developed will be intense.

The EEC aid will be spent on improving yields, which are on average one quarter those of the EEC, quality, infrastructure, particularly roads and irrigation, and marketing.

Lower subsidies

The Government has started to reduce subsidies to milk producers, ceased to give subsidised rates of interest for short-term crop loans and next year the state-run cereal purchasing monopoly EPAC will have to allow 20 per cent liberalisation of imports.

But while there is room for tremendous improvement, it is a fallacy that Portugal can ever attain self-sufficiency in basic cereals. It is reliably estimated that only 2.6m hectares of Portugal's land area of 8.7m hectares is suitable for crop production—and yet crops are grown on 3.6m hectares. Farmers are producing wheat on marginal land while it is profitable to grow.

Soils are generally poor, there is a scarcity of water and the land fragmentation, which is particularly acute in the north, militates against productivity. Farmers also have to cope with a labyrinthine bureaucracy which can take up to two years to approve a subsidised rate of interest for a particular crop.

By the time the money comes through, the farmer, desperately needing funds, has borrowed money at market rates to cover himself and the cheap credit just about pays off the interest on his loan.

There are signs however of a more pragmatic attitude towards the land tenure system. The new Social Democrat Government has drawn comfort from the fact that Mr Alvaro Barreto, the Agriculture minister, won his parliamentary seat in Beja in the Alentejo, the heart of the Communist-led agrarian reform region, with a campaign calling for more and larger private farmers.

Unlike the north of Portugal, where smallholdings have always existed, the Alentejo, to the south and east of Lisbon, consisted of large estates until the 1974 revolution. Communist-led workers occupied about 1.2m hectares of land in the Alentejo, the only area suited to large scale production of grains, and set up Soviet-style collective farms.

About half of them have since collapsed and many of those still going are in dire financial straits. Some land has been returned to the old owners, but still undecided is the contentious issue of what to do with the chunks of nationalised land.

The Sa Carneiro Government handed over almost 58,000 hectares to private farmers by the end of 1981, but since then successive governments have carried out little new redistribution. There is talk that this Government may try to change the law governing land ownership in the Alentejo to allow more private individuals to farm larger units. As it is a minority government the administration will find it difficult to achieve the necessary majority in parliament.

On the export side, EEC entry will produce some opportunities. The EEC is already the main market for port wine, which accounts for about 40 per cent of total agricultural exports. Tariffs will be reduced over three years.

Exports in the first nine months of last year rose 15.3 per cent to 434,946 hectolitres worth Es 14.3bn ($87.7m), a 35.6 per cent increase.

The main benefit of EEC entry for the venerable port wine industry will be gradually to ease brandy costs, which are controlled by the Government and are four to five times higher than in France or Spain. Access to cheaper brandy for blending with port wine—long a sore point between the port wine shippers and the Government—could save the industry several million dollars a year.

Mr Manuel Angelo Barros, the head of the port wine exporters' association, said profit margins were being squeezed by rising costs.

The self-sufficient fruit and vegetable sectors, where foreign investment is beginning to enter from the UK, US and Israel, are becoming more aggressive in exporting tomatoes, melons, strawberries, peaches, Rocha pears, green beans and a new product, iceberg lettuce.

Much of this activity is concentrated in the Algarve, under plastic houses, where the climate is temperate. Farmers in these modern sectors aim to find holes in the EEC market and sell early in the season when prices are at their highest. For example landing new potatoes in the UK before Christmas ahead of Egyptian imports which arrive in February, or competing with the Canary Islands for good quality tomato exports.

One such farmer is Mr Victor Barry who left the UK almost four years ago. He believes there are good opportunities for iceberg lettuces in the Algarve. For two years he worked on an iceberg lettuce project with a Portuguese co-operative near Faro but it was a costly and frustrating experience.

He branched out on his own and bought a farm near Brejao on the western coast where there is also another UK iceberg project and an American one on land totalling 140 hectares.

But the lack of basic infrastructure is hampering their efforts and pushing up costs. Every time these farmers wish to export they have to pay for the relevant customs, quality and disease-control officials to visit them from Faro, 200 km away, because the respective organisations are not represented in that part of Portugal.

MINISTERIO DA INDUSTRIA E COMERCIO

Instituto de Apoio as Pequenas e Medias Empresas Industriais

WHAT IS IAPMEI?

The Institute for the Support of Small and Medium Industries—IAPMEI—is a public institute depending on the Ministry of Industry and Commerce, whose aim is to study, to promote and to co-ordinate the execution measures of the Small and Medium Industries (SMI) support, in collaboration with other organisations involved in ecomonic and social development. In Portugal, the Small and Medium Industries embrace *all the important* industrial sectors, monitoring the quality and *diversity of the* products and services they can offer. Their capability of innovation and high rate of manpower all over the country, give them the needed characteristics to be considered as the real support of the modern democracy.

Regarding Portuguese industries, the SMI preponderance is high. They are present in more than 15,000 firms with 5 to 500 workers, and they represent 62% of employment in the *industry (around* 520,000 *people)*; if the small industrial arts are added, the result is more than 8,300 firms with 25,000 workers.

WHAT IS AN SMI?

In accordance with the legislation, small and medium-sized industries are considered to be industrial firms which satisfy the following conditions:
—*have over 5 and fewer than 500 workers* (firms with activity by shifts are excepted. Here the limit is 600 workers).
—have a turnover of under 500 million escudos (or 600 million escudos if the surplus of 500 million escudos is exported).
In the cases of SMI with links with other firms, they *must not own, or* be owned more than 50% by another firm, and may not be owned by a shareholder, member or group of members who simultaneously own over 50% of the capital of the firms, or other firms.
IAPMEI can also support:
—firms which, as a result of restructuring, have exceeded the legal requirements, but not for more than three years..
—the collective actions or other forms of voluntary co-operation formed in accordance with legal requirements.
—firms *with fewer than six workers, when* included in one of the following conditions:

- *to establish co-operation agreements*
- to present expansion projects
- to be located inside industrial parks or allotments

—Other firms for which activity is included in Class 832 of the EAC (Economic Activity Classification)—Services—and are considered important to the small and medium-sized industries.

IAPMEI SUPPORT

The work developed by IAPMEI during the last ten years can be summarised as follows:
—restructuring, modernisation and development of SMI—involving direct support to firms in reorganisation and amelioration of credit schemes;
—creation of new companies, including investment promotion and support of new entrepreneurs;
—promotion of facilities to credit conditions, by means of World Bank Credit Line, Quality Control Credit Line and guarantees for financing operations for either fixed or working capital, whenever the guarantees given by the small and medium sized companies are considered insufficient by the Banks;
—amelioration of companies' management capacities, covering training courses;
—co-operation between industries and other institutions;
—the launching of technological centres, the *creation of* CEDINTEC (*Centro para o* Desenvolvimento e Inovação Tecnológicos), the support to subcontracting centres and Audio-Visual Centres—are the principal actions we must mention to illustrate this co-operation.

OTHER NEW SUPPORTS

Taking into account the experience obtained during its existence, IAPMEI has considered *the opportunity to adjust its programmes to the* real and actual needs of SMI. We must mention the following:
—Restructuring of SMI
—Creation and expansion of SMI based on new technologies
—Support to the development of SMI based on *natural resources*
—Support for the restructuring of industrial technologies
—Extension of the industrial network
—Launching of innovative projects, according to the new industrial policy, permitting the development of complete productive units, *where technological innovation will* be the principal support
—Amelioration of technical and technological assistance to SMI.

IAPMEI - Instituto Apoio As Pequenas e Medias Empresas Industriais
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MINISTERIO DA INDUSTRIA E COMERCIO

Laboratorio Nacional de Engenharia e Tecnologia Industrial

The National Laboratory of Engineering and Industrial Technology-LNETI

INSTITUTIONAL ASPECTS

The Portuguese National Laboratory of Engineering and Industrial Technology—LNETI—was founded in 1977 and is a government-sponsored research institution administered under the Ministry of Industry and Commerce. The organisation aims at the development of an efficient laboratory complex capable of taking a very active part in the process of national industrial modernisation taking place in the programmes of diversification and rational use of energy, as well as in the different actions now necessary in the challenging entry of Portugal into the EEC.
Although created by special law on December 31, 1977, the enforcement ordinance establishing LNETI's structures and defining its main activities was promulgated only two years later, on September 1, 1979. More recently, in July 1985, some readjustments were introduced in its functional organisation, which now comprises four institutes in Lisbon and a full-sized delegation at Oporto, in the North of Portugal.

BASIC OBJECTIVES

There are seven fundamental objectives to be pursued:

1. implementation of R&D programmes in the fields of industrial and energy technologies
2. collaboration in the outlining and preparation of national energy and industrial policies
3. co-operation with the industrial enterprises and other *institutions in the establishment of new opportunities* and means of raising competitiveness of production lines
4. promotion of *industrial innovation* and technical assistance for industry
5. improvement of the processes of transfer of technology in order to optimise the national capabilities
6. dissemination of technical, technological and managerial knowledge to industrial enterprises
7. systematisation and introduction of data processing of technical information for industry

ORGANISATION

LNETI's departments are grouped in R&D services (including technological assistance units), techno-scientific services, and infrastructure support services.

There are four R&D Institutes: The Institute of Industrial Technology, the Institute of Electromechanics and Information Technology, the Institute of Nuclear Science and Engineering, and the Institute of New Energy Technologies. These include departments covering the fields of chemical technology, biotechnology, food and animal feed technologies, materials science and metallurgy engineering, electronics, robotics, computer science and technology, nuclear applications, conventional and renewable energy sources.

R&D is also conducted in the field of radiological safety in an independent department.
Technical and techno-scientific matters related to technological information for industry, marketing and pre-investment research, technical training, industrial and engineering planning are concentrated in specialised departments serving all four Institutes, as well as industry directly.

MAIN ACTIVITIES

Depending on the nature of the *R&D programmes* and the financing sources, LNETI's activities fall into four main categories.

a) national R&D projects implemented by its own or government initiative;
b) industry-initiated R&D projects with a joint industrial-government funding programme or contract;
c) package contract projects under government subsidy schemes for the promotion of new technology-based industries, for the promotion of new *utilisation of* national raw materials, for the promotion of energy saving or diversification, or for the accumulation of scientific knowledge and technological expertise in specific areas, and
d) contract research paid for by private industry *or* other institutions.

The *mentioned activities must be preferentially* integrated in the National Energy Plan and/or in the National Technology Development Plan for the *Manufacturing Industry.*

As a result of its multi-disciplinary integrated research facilities, LNETI has found it necessary to maintain very close links with other new institutions in order to better transfer its very high scientific and technological potential to specific areas. Thus, LNETI is associated in Technology Support Centres with industrial groups and enterprises in the fields of glass and ceramics, timber and furniture, textiles, leather and shoes, food, electrical appliances and equipment and also cork products.

Besides, LNETI is a major partner in other Centres of Technology Promotion, both in the areas of industry and energy, and maintains close links with the major foreign and international research organisations.

With its highly up-to-date and specialised scientists, engineers and technicians, LNETI will continue to play a very *important* role in the industrialisation and modernisation of Portugal in close conjunction with the universities, other research institutions and industry.

The industrial-technology complex of Lumiar, Lisbon

LNETI - Laboratório Nacional de Engenharia e Tecnologia Industrial
Azinhaga dos Lâmeiros - 22 Estrada Paço do Lumiar - 1600 LISBOA - Telex: 42486 LNETI P

MINISTERIO DA INDUSTRIA E COMERCIO

Direccao Geral de Industria

Portugal, a secure place to invest

A PRIVILEGED BASE FOR INDUSTRIAL OPERATIONS

Portugal offers unique advantages resulting from local conditions, geographical location and special trade agreements with European, North American and African countries:

—Portuguese human resources allow for a significant competitive edge over alternative locations.
An adaptable and skilled labour force capable of high productivity levels when properly directed and highly skilled technicians and managers are available at very favourable pay rates.

—Portugal has a relatively large industrial base accounting for almost 40% of its national product. Portuguese industry has already gained much experience in designing and erecting some of the equipment and systems needed for new plants and in some areas Portuguese engineering and contracting companies have been able to sell industrial units, some of them on a turnkey basis, to several foreign countries. Tooling, moulding and plastic manufacturing of excellent reputation are available at very competitive prices with high quality, ability to deliver and cost-effectiveness, for several industrial uses.

—Industrial zones are dispersed all over the country, offering land and buildings for location, basic infrastructures and general support services, at very reasonable prices.

—The natural resources available and being exploited gave rise to a dynamic base of our manufacturing industry, such as paper pulp, ceramics and sectors dealing with agriculture, fishing and mining resources.

—The country is well served by sea and air transportation, and road carriers are widely available locally.

—The special geographic location of Portugal allows for sea transport to reach the U.S. East Coast in only two *weeks and truck shipments to reach European countries* within one to three days.
The PTT telex and telephone network, satellite and intercontinental cable connections with direct dialing provide both internal and international reliable communications. One of the most advanced packed switching data transmission networks is already *operating connecting with similar systems all over* the world.

—Regarding international trade, Portugal is in an excellent position to export to European, American and African markets. Portugal will be an effective member of the EEC beginning January, 1986, and EFTA trade agreements *will also apply from that date on, meaning* that products of Portuguese origin will benefit from free access to all Western Europe markets. On the other hand, Portugal is still the only *beneficiary country* in Western Europe of the USA Generalised System of Preferences, and has privileged political and economic links with its ex-colonies and other African countries.

A POLICY TOWARDS MODERNISATION

The forthcoming entrance into the EEC emphasises the need for an industrial policy more adequate to the new *challenges Portuguese industry will face. Considering* the importance of a strategy of diversification of the productive structure and improved competitiveness, the Government considers that the guidelines of industrial policy will be the support to:

- innovation
- *technological modernisation*
- quality improvement and
- better use of natural resources

An important factor to promote the modernisation of the productive fields where Portugal may explore its competitive advantages has been the work developed by new universities located in the interior of the country.

Their proximity to regional industrial complexes favours action aimed directly at industry.
The importance of intimate co-operation between industry and university does not need to be emphasised.

The General Directorate for Industry has been co-operating with both such universities and industries in an effort towards the modernisation and competitiveness of the country's industrial base.

A new *Scheme of Incentives to Investment* directed to innovation and technological modernisation has been prepared providing a wide range of financial and tax incentives to investment projects of innovative nature and economical and financial viability.

The envisaged system is of contractual nature: the concession of incentives will always be based on a contract between a Government agency and a firm. This new incentive scheme applies both to projects undertaken by existing companies or new ventures, provided they:

- are located in technology-intensive sectors, or
- aim at new products in areas with a recognised growth potential, or
- contribute to process innovation, or
- promote the assimilation of a new technology, or
- introduce significant improvements in design and quality.

A SECURE PLACE TO INVEST

The effort towards modernisation and development of the economy is also relying on the co-operation of foreign investors.

The Foreign Investment Code rules the importation of foreign capital and technology, and covers all the guarantees given to foreign investors, namely:

- state-assured security and protection of the assets and rights derived from direct investments
- unrestricted *repatriation of annual profits* and dividends, as well as of the total value of the liquidation of the investment
- *possibility of having foreign managers in foreign* firms

The Foreign Investment Institute is the Government agency charged with handling all matters related to foreign investment and it acts as liaison between the Government departments and foreign investors while *their projects are being evaluated. Its functions include* guidance and assistance to potential foreign investors and it is responsible for the authorisation of all projects *involving foreign capital* and importation of technology. It provides services free of charge.

Detailed information on industrial matters can be obtained through the General Directorate for Industry,
Ministry of Industry and Commerce, Av. Conselheiro Fernando de Sousa n. 11 - 1000 LISBOA - Telex 13567 MITIL P

MINISTERIO DA INDUSTRIA E COMERCIO

Direccao Geral da Qualidade

QUALITY IN PORTUGAL

The integration of Portugal in wider economical areas, mainly in the European Economic Community, sets a challenge to the Portuguese industrialists, which they want to face by means of the respective growth in *competition.*
Considering that products from EEC countries are generally of high quality, this challenge makes them consider, among other things, quality as a strategic factor of their own enterprise policy. So, enterprises try, by means of conscientious quality management, based upon a systematic and planned organisation of the *means and actions under their control, to make sure that* the products and services they supply meet with the market requirements and are priced reasonably.
Although quality management is, essentially, a responsibility of the individual enterprises, public administration plays a very important part in the promotion of actions to stimulate and support, and in *the creation of the required frameworks.*
So, with the determined purpose of taking Portuguese enterprises not yet acquainted with this reality to implement their own quality management systems, the Ministry of Industry and Commerce has decided to support the idea of considering 1985 the Year for Quality, the year when the 29th Congress of European Organisation for *Quality Control (EOQC)* took place. Actions are taken within two levels: on one hand, to spread the concept that quality is a strategic factor, within a development policy and, on the other hand, with the help of specialists, to support enterprises in the use of Portuguese standards NP 3,000 on Quality Assurance, that is, to create their own systems for quality management.

NATIONAL SYSTEM FOR QUALITY MANAGEMENT (SNGQ)

Frameworks for the support of the performance of the Portuguese quality policy are established in the Quality Management National System institutionalised by decree Law n. 165/83, of April 27.

This system includes metrology, standardisation, and qualification which are the basic tools for Quality, each one acting as a *sub-system,* and defines the formation and assignments of the National Quality Council, as well as the part played by the Directorate-General of Quality (DGQ), department of the Ministry of Industry and Commerce, created in 1976 and implemented in 1978, as the main supporting point of this system.

It also contemplates the new assignments of the Standardisation Centre, as the privileged financial support to the development of the referred system.

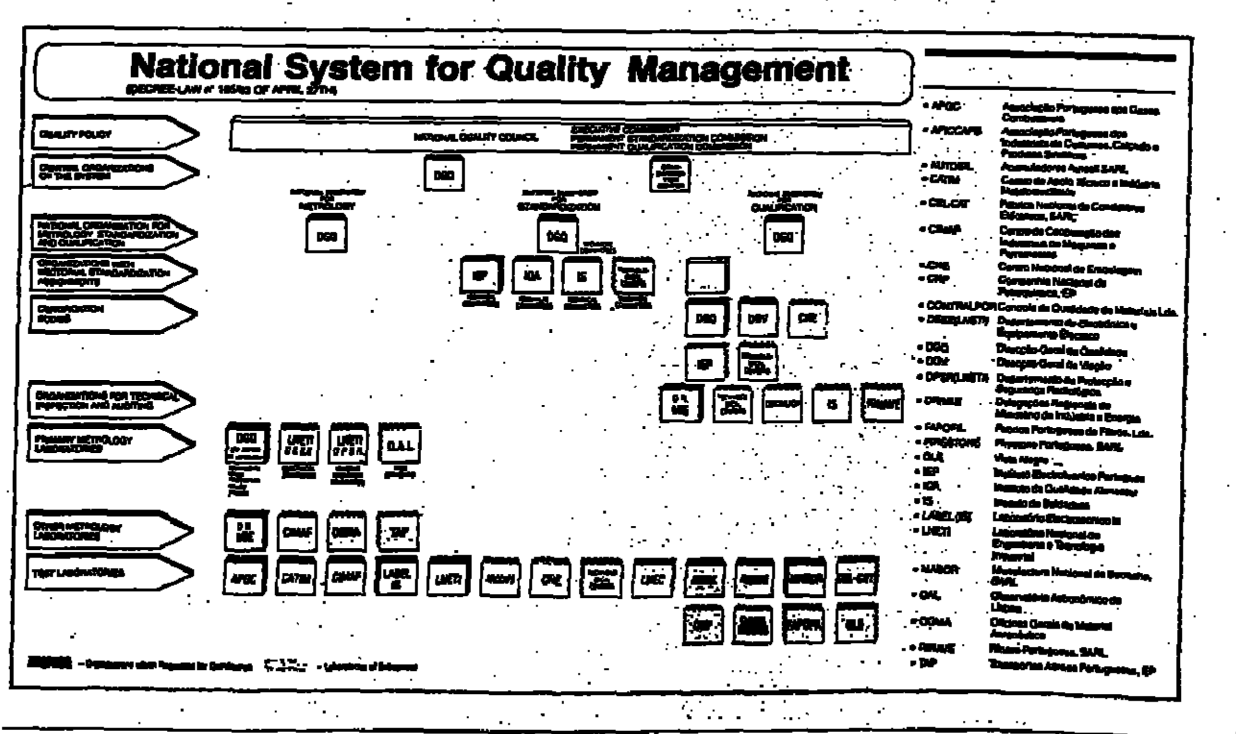
The following drawing shows the present development *of the SNGQ.*

The philosophy upon which this system lies allows optimising and drawing advantages from technical and *laboratory capacities* existing in the country, either public, mixed or private.

DIRECTORATE-GENERAL OF QUALITY

The Directorate-General *of Quality (DGQ) is the body of* the Ministry of Industry and Commerce with executive responsibilities in the areas of metrology (scientific, legal and industrial metrology), standardisation (homologation and publication of Portuguese standards and support to some technical committees), and qualification/certification (recognition of qualification *of certification and inspection bodies, management* of certification systems, attribution of NP mark and quality auditing).

The Directorate-General of *Quality assures the* representation of the country in the international and regional organisations of metrology, standardisation and qualification, such as the General Conference on Weights and Measures (CGPM), International Organisation of Legal Metrology (OIML), International Organisation for Standardisation (ISO), International Electrotechnical Committees (CEI), *European* Standardisation Committee (CEN), European Committee for Electrical Standardisation (CENELEC).



DIRECCAO GERAL DA QUALIDADE - Rua José Estevão, 83 - A - 1199 LISBOA CODEX - Telex: 13042 QUALITP

THE ARTS

New York music/Andrew Porter

Celebrating Copland in the best American tradition

Aaron Copland was 85 on November 14. The Philharmonic played an all-Copland programme, and he was there, smiling, lovable of presence as ever. Leonard Bernstein opened the evening, with a full-hearted, full-throated performance of the *Fanfare for the Common Man*. Zubin Mehta conducted the rest: *Letter from Home*, *John Henry*, the early Piano Concerto (Bennet Lerner a fine soloist), *Prairie Journal*, the First Symphony and the première of **Proclamation for Orchestra**, an orchestration by Phillip Ramey of the **Proclamation for Piano** begun in 1973 and completed in 1982.

There is lots more Copland on the Philharmonic programmes this season; the orchestra has avoided the works most often played — *Appalachian Spring*, *Lincoln Portrait*, and so on—and dipped elsewhere into the long catalogue. *Letter from Home*, *John Henry*, and *Prairie Journal* date from 1937-1944 and are radio commissions from the days when American stations still maintained orchestras and commissioned new music for them to play. They are attractive, poetic pieces. There's plenty of Copland elsewhere. Geraldine Ferraro joins the long list of celebrated speakers who have recited *Lincoln Portrait*; she did it with the Queen's Philharmonic. Walter Kronkite did it in Manhattan, with the American Symphony.

I didn't much care for the Mehta performances, which struck me as empty, inflated, and noisy, without the easy gait that should mark Copland's music in both his prairie-boy and his city-slicker veins. The happiest Copland celebration is a new production of his high-school opera *The Second Hurricane*, running at the famous Henry Street Settlement theatre, down on Grand Street, which is where it opened in 1937. Orson Welles directed it then, in a bare, spare staging. The revival boasts Elaine and Willem de Kooning, Red Grooms, Larry Rivers, Robert Wilson, and John Cage among its design team; Steve Sakland, the overall set designer, has brought their contributions together in a rich — but elegant and uncluttered — staging.

The production, directed and choreographed by Tazewell Thompson, is brilliant — elaborate, animated, and precise. The performers range in age from eight to 23. They do not force their voices. They act naturally. It is the most spirited show I have seen on New York's opera stages this season. *The Second Hurricane* dates from Copland's actively socialist period. Two years earlier, he had composed his May Day song about raising high the hammer and the sickle, and breaking out the Red Flag on Wall Street. Lehman Engel had conducted Weill's *Der Jasager* at the Settlement; Marc Blitzstein's *The Cradle Will Rock* is contemporary with *The Second Hurricane*.

The plot is slight. Six children eager for adventure set out to help with flood relief (in a year of natural disasters, the piece became vividly topical), are marooned themselves, quarrel, part, come together again, and learn the value of mutual support. "We got an idea of what life could be like/With *everybody pulling together*/A happy, easy feeling./Like freedom, like real freedom." Edwin Denby, the librettist, was not afraid of sentiment. (He united great natural sweetness and goodness with exacting moral and artistic standards, as Copland does.) Sopland's music is economical, precise, and moving. In 1937 Virgil Thomson called it "vigorous and noble." The opera is a piece of history but it has dated not at all.

Lia Alexi (foreground) and (from left) Roland Wright, Mark Leinthal and Barbara Wilder in Aaron Copland's The Second Hurricane

Otherwise, the composer of the day here seems to be Ellen Taaffe Zwilich. The San Francisco Symphony has just played her Second Symphony, commissioned for it. New York has just heard her Chamber Concerto (1984), for trumpet and five players, which is short, cheerful, and confident, with a virtuoso solo part. Revivals have included the Violin Sonata (1974), played by the Naumburg winner Ian Swensen, and the intense, passionate Chamber Symphony (1979), played by the group called Musical Elements. Another performance is due soon from the St Luke's *Chamber Orchestra*.

Musical Elements, directed by Daniel Asia and Robert Beaser, plays in the Great Hall of Cooper Union, where Abraham Lincoln and Charles Dickens one spoke. It is off the regular musical beat and so doesn't get much attention, but I always try to make the pilgrimage. The Elements are fine players and have an adventurous, international approach to programming. Works by Robin Holloway, George Benjamin, Jonathan Llloyd, Hans Abrahamsen (most recently, the *Märchenbilder* he wrote for the Sinfonietta) have had their New York premières here.

Zwilich, born in 1939, and the first woman to win the Pulitzer Prize (for her First Symphony, in 1983), has a fresh, lively ear, invention, imagination, and a bright-eyed zest in her writing. There are always beautiful new sounds to be heard. She is not easy to classify. "Equal heir of Sessions and Copland," someone proposed: its a difficult pairing, but at least it suggests that a *mind* is at work. Many composers here seem to have thrown themselves into a mindless, rapturous embrace of Victorian tonality and are writing as if Schoenberg and Stravinski, let alone Sessions and Carter, did not exist.

Pap pours out by the hour from the minimalists. Composers, too, who once wrote better works now only write diatonic works. David Del Tredici's latest piece, for the Chicago Symphony, is called *March To Tonality*. (It has not yet reached New York.) Michael Torke, a new young composer (born in 1961), whose *Ecstatic Orange* was well received when the Brooklyn Philharmonic played it earlier this year, has *just produced* 15 *minutes* in D major called *Bright Blue Music*. It is not nothing. It has a scrap of diatonic motif which (as Cecil Gray wrote of his handling of a theme in his *Temptation of St Anthony*) is "developed, varied, augmented, diminished, inverted, possessed in every conceivable position, as in the *Kama Sutra*." But without modulation. It is attractive, very fully scored for very full orchestra, shot with waltz rhythms.

Am I becoming an old fogey, I wonder, for preferring a challenge—by Elliott Carter, by Milton Babbitt, by Charles Wuorinen, by Maxwell Davies or Birtwistle—to the limits of (and often beyond) my understanding, to a delicious tickle or stroking? *Bright Blue Music* was followed by the *Reformation* Symphony of Mendelssohn —who was younger than Torke when he wrote it. It is an altogether more serious and ambitious kind of composition. I am not prudishly against diversions and entertainments—only against the increasing tendency *to proclaim them as high* art.

"Bread and circuses" was Caesar's prescription for the people. Not everyone in New York has bread: on the streets one sees hungry people scavenging in the trash cans for discarded crusts or for bones on which there is still something left to gnaw. If the concert halls and opera houses become mere places of undemanding diatonic entertainment, life here will be sorry indeed.

Bright Blue Music and the *Reformation* Symphony, preceded by Dvořák's turbulent *Othello* overture, were played by the New York Youth Symphony, which gives packed, free-admission afternoon concerts in Carnegie Hall. For four seasons, its conductor has been David Alan Miller; and here I must declare an interest. When I was teaching at Berkeley, Miller was a student there, and he seemed to me to have the flair that successful conductors need. He wanted to go on to the Juilliard—that springboard into the American music profession—and went there with my blessing (and those of others who had watched his work in Berkeley and believed in him). Since watched him make his own way on his own considerable merits.

The age of the players in the Youth Symphony ranges from 12 to 22, with an average of 15½ Among its alumni are Itzhak Perlman, Gerard Schwarz, and Leonard Slatkin. It is a big orchestra, and it plays both with *precision and with the warmth* of tone and passionate conviction that generally mark such ensembles. Miller's programming has been adventurous. He gave New York its first hearing of the Schubert's Seventh in the Newbould orchestration. He revived a symphony by Spohr, whose music was once much played by the Philharmonic—but not in this century. Best of all, for two seasons now he *has for each concert commis*sioned big-orchestra works from young composers—David Lang's *Flaming Youth*, Aaron Kernis's *Mirror of Heat and Light*, Ron Caltabiano's *Poplars*, and most recently *Bright Blue Music*—and given them the chance of working with large forces, of gleaming performances, and of a wide public hearing.

Martin Harvey, Bonnie Langford and Grant Olding

Peter Pan/Aldwych

Martin Hoyle

Just as we get used to taking J. M. Barrie's symbol of emotional retardation seriously, even tragically (thanks to the RSC) *along comes the 30-year*-old Broadway musical version. The music, to Carolyn Leigh's lyrics, was by one Moose Charlap who, according to the unlovely programmese, "developed and was granted a patent for a new motion picture process which enables instant musicalisation of dramatic motion pictures."

Charlap's death in 1974 prevented further use of what *sounds mystifyingly like an* H.G. Wells muzak machine; but his approach, plus extra numbers later added by the time-honoured Broadway talents of Jule Styne, Betty Comden and Adolph Green, perhaps explains the wide range of musical quality If "I'm flying" has the bustling tunelessness of a *Look At Life* sound-track, Peter's theme-song, "Neverland" has a haunting wistfulness if *immense charm*.

The cheerful keynote is provided by the tangos and tarantellas that accompany the wicked Captain Hook's sinister schemings. Red spangles on his eyelids, batting his lashes like a palpebral David Gower, Joss Ackland leads his pirates in dance routines — including a splendid waltz, Who's the swiniest swine in the world?—that transforms the nature of the show. As yet there seems a slight hesitation in his performance, a reluctance to go the full camp hog. He should; his funny and stylish interpretation can only gain from peering, if not going, over the top.

Bonnie Langford's Peter is a trouper. Miss Langford was hilariously odious as the saccharine Violet Elizabeth in the televised *William* stories; and her unabashed vitality and *old-style teeth-and-smiles method of buttonholing an audience*, in my heretical opinion, made her Rumpleteazer the liveliest of the original cast of *Cats*. It takes more than an act to adapt to the show-biz approach to Barrie's play and its protagonists. Within these limitations, Miss Langford gives generously, and even hints at the depths of the part ("You mustn't touch me — no one must ever touch me") which the show *otherwise skims over*.

Roger Redfarn's production from Plymouth boasts some exhilarating flying as the Darling children find their feet, or whatever it is you find in such cir*cumstances. Neverland is peri*lously close to Disneyland, complete with an ostrich that does the splits, but without plastic gnomes. Hook's ship is magnificently dominated by a great skull with candles in the eye-sockets. Only a merciless amplification system that picks up rustles and other unwanted sounds obtrudes.

The Wendy sounds like a real juvenile, and one longs for the traditional young adult in the part, especially as this Peter's voice is equally lightweight and youthful. Conversely, some of the Lost Boys boom out "I won't grow up!" calves and thighs bulging like rugger players. I must add that the play still comes through affectingly, despite a perfunctory last scene; and, as opposed to the *Beauty and the Beast* protracting their agonies in Waterloo, the show seems eminently capable of pleasing children.

Architecture/Colin Amery

The sorry mess of Georgian London

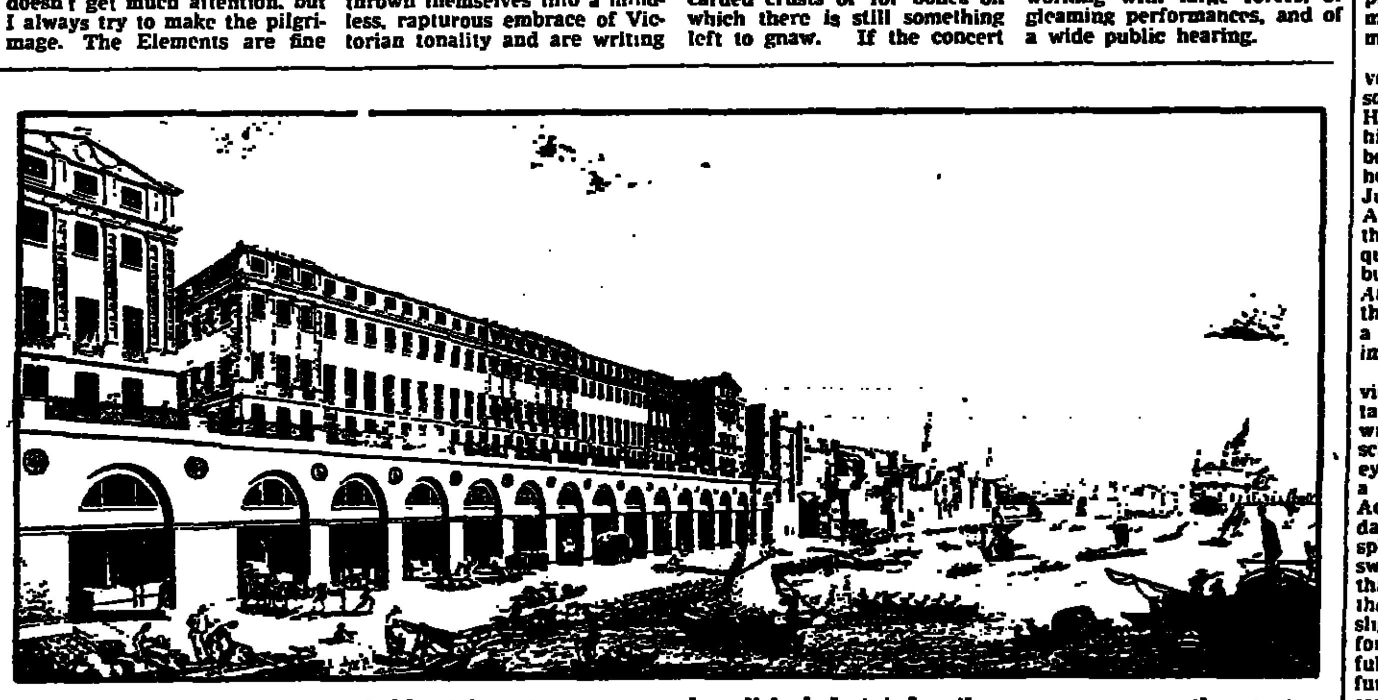
An important anniversary occurs next year. In 1986 it will be 50 years since the demolition of the Adam brothers' n a mass of con servaoiton has been a mass of conservation legislation and a growth in the *bureaucracy, all designed to* protect and preserve the historic fabric of London and this year since the publication other cities. It is 40 years ago first time brought together the *London*, a book that for the of John Summerson's *Georgian* strands of town planning, biography, economics and architecture that compose the picture of the history of the development of Georgian London.

Georgian London was one of the nation's greatest assets, representing a level of elegant entrepreneurism that has never been surpassed. It is sad that *today it is in a sorry mess*. An important report has just been published that strikes a chill into the heart of anyone who cares for the modest and human scale that is exemplified by London streets and squares.

SAVE Britain's Heritage has published 90-odd page report that catalogues *Georgian London in Decay*. SAVE is right; it is a scandal—I quote *from the report*: "The buildings featured, some neglected, some derelict, and some seemingly doomed, are the victims of private greed, of public incompetence and indifference, of bureaucratic delay and of political intransigence."

Particularly striking about this catalogue of misery and woe is that the majority of the houses illustrated are sound and habitable homes. It is clear that the repairs legislation (part of the listed buildings rules) is *seldom used. As SAVE points* out, *in many cases* it is the local authorities who are responsible for the deliberate neglect of the listed buildings in thei care. In 1988 there will be a new regime — or rather an old one under a new umbrella —when the old GLC Historic Buildings Division is married to the English Heritage Commission. How will it beable to cope? Will it be diverted to *advising the commission on* listed building matters througnout the country?

So much Georgian architecture was swept away after the war. Very little domestic architecture survives *in the* City and the University *of* London has seen off far too many of the plain and decent Bloomsbury houses. So much of the noble and simple functional architecture of the 18th century London Docklands was lost in the Blitz but what survived has since been submerged.



Fifty years ago this remarkable Adam terrace was demolished, but today there are as many threats to the fabric of Georgian London

There are other complicated problems. Some of the houses are trapped in an ideological cul-de-sac — they are owned by local authorities who will neither sell them nor restore them. Far too many fine town houses are used exclusively as offices. It is a heart-rending *experience to walk at night* through the glories of Mayfair or Bloomsbury and see those grand and beautiful rooms full of hideous office furniture and empty of life.

What is the point of the finest 18th century architecture of the capital city being largely occupied by offices which could function as easily in Docklands or in new buildings in the suburbs or in less vulnerable parts of the centre? Picture if you will a fine stone hall, well wrought iron balustrade, a marble fireplace, a painted ceiling and everywhere calm and proper proportion. These *are qualities of much of central* London and from five in the evening only cleaners and dead telephones sit in these great rooms. The quality of London life has suffered to a degree hard to realise.

Houses of this quality should be occupied. As the reversion of some of the Grosvenor Estate leases comes up we can be sure that our philistine and rate-grabbing masters will insist that they continue to be offices.

What other European capital would go to such lengths to see that facades of Georgian houses are carefully retained while the rooms themselves are allowed to be ripped out? *Look* for example at the absurdity of the replica of the Adam house that is the new Chinese Embassy in Portland Place. It now looks as though even St George's Hospital, for too long an eyesore at the heart of London, will have its guts ripped out and only the Wilkins facades will remain.

Offices, replicas, demolitions and neglect are some of the fates that await so many of these houses. The SAVE report should be seen as a challenge rather than an agonising *cri de cœur* Building Trusts have turned derelict areas around, in *London most successfully* at Spitalfields. The valuable SAVE report is a salutary start to a new year—it must be seen as an opportunity, a chance to save the civilised parts of the city.

Ballet suites/Barbican Hall

Dominic Gill

At lunchime on Friday and Sunday the BBC Symphony Orchestra under Gennady Rozhdestvensky *played two pro*grammes of Music from the Russian Ballet. The title might have suggested a survey of Russian ballet music from Yury Gelber to Shchedrin, but in fact it embraced nothing more than two orchestral suites somewhat eccentrically drawn by Rozhdestvensky himself from Prokofiev's *Romeo and Juliet* and Chaikovsky's *Swan Lake*.

The selection from *Romeo and Juliet* was distinctly the odder of the two a medley of numbers from each of the composer's three orchestral suites, shuffled, and then linked together with no regard to their sequence in the original score. *Musically, the result of* such a John Cage-like procedure (did Rozhdestvensky use the *I Ching* to help him make his choice?) was perfectly acceptable. But narratively, especially to anyone familiar with the ballet, it was a little unnerving—especially to hear the great climax from the last scene in the middle of the sequence, and the music for the *deaths of Mercutio and Tybalt*, properly heard near the start, used as a finale. Was there some subtle point to Rozhdestvensky's exercise in dislocation which I failed to catch?

The *Swan Lake* medley was more orthodox and made consecutive sense, beginning with the introduction and ending with the finale, and catching most of the best tunes in between—the first-act waltz, the lake scene and the dances from the second act, and a selection of numbers from the ball in act four. The BBC Symphony Orchestra almost invariably play for Rozhdestvensky with infectious warmth and unan*imity, and these concerts were* no exception. Much more could have been done with the Chaikovsky, far more vivid instrumental detail exposed but presumably at this Christmas season, a good-humoured and effective run-through is all that is required.

Babes in the Wood/Richmond

Alan Forrest

Richmond's pantomime, first seen at Chichester last year, offers an embarrassment of riches this year Not the least of them is Spike Milligan as one of the robbers—the one with the heart of gold, of course, who lets the babes go. But he also crops up as a golden-topped moppet in pink dress and bloomers during the school-room scene.

The magic of Milligan is that at times he doesn't seem to be doing very much but still has the whole house wobbling in a sea of laughter, just, say, by the twitch of an eyebrow, a near-inaudible aside or a goonish shamble of the feet

It was a nostalgic treat to see Evelyn Laye as sophisticated a *fairy queen as we are likely to* meet in the Home Counties this festive season The idea of having her spread goodness while trying to repair her marriage to the fairy king over the telephone at the side of the stage is an inspired piece of nonsense in *Jimmy Perry's* script.

And for the rest, a star line-up which must be the envy of the rest of the London suburban theatre. Patrick Cargill as a lady schoolteacher hooked on Teacher's whisky is in the real dame tradition. Peter Wyngarde gives the wicked Sheriff of Nottingham a sleazy charm which almost silences the booing, and Bill Pertwee as the *other robber makes a good* straight-man for Milligan, not the easiest job on a stage.

But with all respect to these fine artists, it is Milligan's show You can almost taste the *anticipation whenever he comes* on stage and you know that you are in the presence of more than just a clown He is a national institution.

Arts Guide

Music/Monday Opera and Ballet/Tuesday Theatre/Wednesday Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Dec 20 – 26

Music

LONDON

Kiri Te Kanawa with the Philharmonia Orchestra conducted by Carl Davis in a programme of seasonal music. Barbican Hall (Mon). (638 8891).

Royal Philharmonic Orchestra conducted by Norman del Mar with Yehudi Menuhin, violin. Beethoven. Barbican Hall (Thur).

NETHERLANDS

Amsterdam, Concertgebouw. Aleida van Dongen, contralto, Dirk Out, organ, harp and flute ensemble under Erika Waardenburg, and massed choirs in a Christmas Eve concert (Tue); Mahler's Seventh from the Concertgebouw Orchestra conducted by Bernard Haitink (Wed, matinee); Anton Kersjes conducting the Netherlands Philharmonic with Marieke Blankestijn, violin. Bizet, Mozart, Vaughan Williams, Rimsky-Korsakov (Thur). Recital Hall: Patrick Gallois, flute, Joël Pontet, harpsichord (Thur, matinee). (71 83 45).

Amsterdam, Nieuwe Kerk, Bernard Winsemius, organ. D'Aquin, Bach (Thur, 4p.m.)

Rotterdam, De Doelen. Christmas choral concert conducted by Jan Stolk, with Jan Mulder, organ (Mon). Carol concert (Tue). (14 29 11).

Aardenburg, Onze Lieve Vrouwe Kerk. Motets and carols sung by St John's College Choir, with Philip *Kenyon at the organ (Mon). (1400).*

PARIS

Christmas Mass: Josquin des Pres – De Beata Virgine sung by Ensemble a Sei Voci *and* a concert of bells by the Dorothy Shaw Bell Choir from Dallas (Tue, 11pm). Saint-Roch Church, Metro Palais Royal (42 77 1883).

ITALY

Milan: Teatro alla Scala: Riccardo Muti conducting Rossini, Haydn and Beethoven (Mon). (80.91.26).

Rome: Auditorium via Della Conciliazione: Giuseppe Sinopoli conducting Mahler's 6th Symphony. (Mon). (654 1044).

VIENNA

Sebastian Vittucci, Baritone and Ruth McGuire, organ. Buxtehude, Bach, Wolf. Karlskirche. (Mon).

Biedermeierensemble. Bach, Vivaldi, Mozart. Evangelische Kirche (Tue).

Martin Rieker, organ, Bach. Lutherische Stadtkirche (Wed).

Vienna Hofburg Orchestra conducted by Gert Hofbauer Waltzes and light opera. Hilton Hotel. (Thur matinee).

TOKYO

Beethoven's Symphony No. 9, NHK Symphony Orchestra. NHK Hall (Mon, Wed, Thur). (465-1780; 464-4860). Handel's Fireworks Suite will also be performed.

New Japan Philharmonic, conducted by Michiyoshi Inoue. Tokyo Bunka Kaikan. (Thurs) (489 1531).

Japan Philharmonic Symphony Orchestra, conducted by James Loughran. Tokyo Bunka Kaikan (Wed). (234 5911; 980 8060).

The above are just a few of the many performances of Beethoven's Choral Symphony. Most are scheduled for weekends.

NEW YORK

Carnegie Hall: New York String Orchestra. Alexander Schneider conducting, Yefim Bronfman, Cecile Licad, Stephanie Brown, Claude Frank pianos Handel, Vivaldi, Vivaldi-Bach, Bach (Tue, midnight) (247 7459).

WASHINGTON

New York String Orchestra: Haydn, Mozart, J Strauss (Thur) Kennedy Center Concert Hall (254 3776).

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Monday December 23 1985

More questions for Westland

THE LONG-RUNNING Westland saga has had its farcical moments, not least the sudden discovery of a Libyan connection. Fiat, which is associated with Sikorsky of the US in one of the two rival rescue schemes, has had a Libyan shareholding since 1976. The stake has long since ceased to be a political issue in Italy; it has not discouraged foreign companies from seeking partnerships with Fiat. It is, in short, irrelevant to the future of Westland, although that will not prevent opponents of the Fiat-Sikorsky deal from making the most of it.

Two competing proposals are now on the table, but there are still a good many uncertainties which have to be resolved before the board and shareholders of the company make their final decisions next month. The British Government has to play its part in providing the clarification that is needed.

There has always been something slightly misleading about the distinction which has been drawn between the interventionism of Mr Michael Heseltine, the British Defence Secretary, and the hands-off approach associated with Mr Leon Brittan, the Trade and Industry Secretary. Westland is an important defence contractor which operates at least in part in the political market place. Decisions by politicians and bureaucrats are vital to its profitability and growth. It needs orders from the Ministry of Defence. It also apparently needs support from the Government to secure overseas contracts, such as the much-delayed order from India.

Rationalisation

Each of the two rival proposals for Westland's future depends critically on the attitude of the British Ministry of Defence. Mr Heseltine repeated yesterday that the UK had no requirement for the Black Hawk (which Westland will build under licence if the Sikorsky plan is accepted) and that the European solution would involve an additional order for six Sea King helicopters; this would be funded by the savings resulting from the rationalisation of European helicopter requirements.

It is on this European plan that more details are needed and they are of interest not just to Westland shareholders but to taxpayers as well. It appears that the defence ministries of the UK, France and West Germany will concentrate their orders, in each of the thre main sectors of the military market, on a single European helicopter, to be built in collaboration between the four European companies. Does this mean that no competitive offers, for instance from the Americans, will be entertained? If so, what will be the additional costs of buying European?

The most unattractive feature of the European counter-offer for Westland is its protectionism. The three continental companies seem desperate to keep the Americans out and no doubt they calculate that European projects supported by governments are extremely difficult to cancel, even if costs rise far above budgets.

Collaboration

It is perfectly true that well managed joint ventures can produce lower costs than separate national projects; indeed past Anglo-French co-operation in helicopters has been highly successful in this respect. But the new helicopter programme negotiated by Mr Heseltine and his continental counterparts is much more ambitious than anything attempted in the past. It is up to Mr Heseltine to explain how the dangers arising from the limitation of US competition will be avoided. It is hard to see how the British Government can avoid coming to a collective view on these matters.

It would be useful, too, if all this was put in the wider context of European defence collaboration. It is not obvious that the efficiency of the European defence industry will best be advanced by eliminating competition from the rest of the world. Indeed there is a strong argument in principle for much freer competition within Nato as a whole, so that Europeans and Americans can concentrate on what each of them do best. If this is ruled out on the political grounds that the Americans are too strong in too many areas, then the costs and benefits associated with "European solutions" need to be fully spelt out.

Trade unions face reality

BRITAIN'S TRADE unions last week started on the road back from their three-year-old posture of seeking to defy the Government's carefully constructed programme of labour legislation. The road will be a long one; that the unions have taken the first steps along it, however tentative, is to be welcomed. The TUC is now likely at a special conference to abandon its opposition to accepting public funds for its ballots.

It had little choice: two of its largest, and most genuinely constructive affiliates — the engineers and the electricians—forced its hand. The collective hand of the transport workers was forced, too, over its executive council elections; as with the TUC, its response was realistic and pragmatic. Both the TUC and the TGWU enacted an old dictum of Mr Denis Healey's: when you are in a hole, the first thing to do is stop digging.

Excavation work, slowed considerably by the outcome of the miners' strike, has come to a halt. But it will take something more positive than sheering away from a self-defeating policy to restore to the unions the political influence which has been denied them under the Thatcher Government. Indeed, it is highly unlikely that they will ever regain the leverage at national level which they enjoyed in the mid-1970s, even under any possible future Labour government. British unions have never been elevated to the kind of established social partnership which the West German unions enjoy. Even under the social contract, their role was a balance of advantage for Labour, not for the country.

Status

At present Mr Neil Kinnock's close supporters have little time for the TUC, or some of its senior elder statesmen, though they have a high regard for able newcomers such as Mr Gavin Laird of the engineers, Mr Eric Hammond of the electricians and Mr John Edmonds of the general workers. They are relieved that, finally, the TUC has begun to rehabilitate itself, but that is still probably some way from being enough to turn the unions into a positive force for the party. A Labour government under Mr Kinnock will not grant the unions the status they had in the 1970s. If he wants to win the next election, he cannot do so by drawing up for the unions a blank promissory note; if he wins the election without them, he will have no cause to yield to their sectional claims, pent-up under years of Conservative rule.

Reforms

At least part of the shift in Britain's unions signalled last week was that, for the first time, they recognise their diminished political role. The employment law reforms that the TUC is now seeking are not a grandiose shopping list, an attempt to roll back all the changes the Thatcher Government has instituted — on balloting, or on union recognition by employers. Instead, their theme is almost apolitical. Many of their ambitions, even over such delicate issues as public funding, are deliberately not dependent on a Labour government being returned. Their thrust is towards a stable, consensual pattern of labour legislation which would withstand changes in government.

So the TUC is trying to redefine its policy, in terms not just of current legislation, but of the future, too. It marks a more general realisation, apparent at the 1983 annual TUC Congress in the wake of the election, but obscured by the miners' strike and the banning of unions at GCHQ, of the need for unions to reshape themselves, to try to embrace positively a new strategy. What are trade unions for? Why should people bother to belong to unions at all?

For trade union leaders the focus of attention and energy is shifting—and this is a welcome change—away from the national stage. Some important tripartite bodies still exist, but the great era of tripartism is over. The challenge facing the trade unions is that of attracting and retaining members, and of representing them as effectively as possible.

CHRISTMAS CARDS

Tidings of comfort and joy

By Terry Dodsworth in New York

IT MAY be difficult to believe, but once upon a time, about 140 years ago, the world managed to exist quite satisfactorily without Christmas cards. People wrote letters instead.

Then several things happened. The Penny Post arrived in England and everyone began communicating madly. Queen Victoria came to the throne and her subjects started oozing Christmas sentiment. Over in America a brilliant, German-born political cartoonist called Thomas Nast reshaped the Father Christmas legend, turning him into the red-robed, jovial old gentleman we know today.

In the 1850s, when Nast began popularising his image of a roly-poly Santa Claus in Harper's Magazine, Christmas cards were usually nothing more than visiting cards embellished with a sticker of some kind. A couple of decades later the industry was in full flight on both sides of the Atlantic, and by 1876 Santa was appearing on a US card with telephones gripped to his ears as he listened to toy requests from a group of children.

The 1876 card is a particularly vivid illustration of a recurrent characteristic of the Christmas card business—the attempt to mix contemporary themes with the world of tradition and fantasy. "Every year we have to sit down and decide whether it will be fashionable to have Santa on skis or playing tennis the following year," says Ms Sally Groves, product director for greetings cards at Hallmark Cards.

This blending of the here-and-now with deeper-rooted conventions is evident in the very first card known to have been created specifically for Christmas, an elegant three-panelled design conceived in 1843 for Sir Henry Cole, one of the founders of the Victoria and Albert Museum. The card, illustrated above, shows a Victorian family enjoying its Christmas feast, but the surrounds are rich in symbolism, featuring ivy, a sign of constancy, and holly, often associated with Christ's suffering.

Many of these early symbols of the card business are still with us, although their significance may well have been lost. Victorians, for example, often used flower illustrations, because they knew what each individual flower signified. They also pioneered pictures of the robin redbreast.

The exuberant wave of invention during th esecond half of the nineteenth century also furnished many of the ideas which have dominated the card industry ever since. Nast, for example, was responsible for making Santa Claus into an inseparable part of the Christmas legend, his fertile imagination thinking up the elves, creating Santa's workshop and embellishing the idea of the reindeer sleigh.

Innovation in card design was just as abundant. Cut-out cards made their appearance quite early in the industry, along with cards which whistled when they were opened and joke cards. The Victorians were not above bad puns — one card shows a gentleman in riding gear wishing his recipient a "Chappy Christmas"—and they were also very big on light animal humour. Another early card shows a group of frogs riding bicycles.

The bicycles in the frog illustration highlight the way card manufacturers have always kept up to date. Over the years, cards have quickly reflected the predominant technical developments of the day, from the introduction of the motor car to the space shuttle, which features on one of this year's Hallmark cards.

Over the years, the card companies have been equally sensitive to social trends. Back in the roaring twenties, some of the US cards show flappers against an art deco background, and prior to that the suffragettes had been wooed with a militant message which makes many of today's feminists look distinctly feeble. It reads:

"Downtrodden woman now arise
No more let men thus tyrannise:
Let's push the tyrant from his throne,
And have a Christmas of our own."

This was a message which was bound to touch a large audience, since women have always been the predominant card buyers—out of the 2.2bn expected to be sold in the US in the current season, they are expected to buy around 90 per cent.

From earliest days, the industry also caught on to the idea of creating customised cards for a special audience. An early example of this type targets the City of London with the picture of a stockbroker pirouetting on his toes and held up by angel wings. He is addressing his potential customers with a familiar message:

"I hope you will not think it strange,
If I fly from the Stock Exchange,
To bring to you the news surprising,
That all the New Year bonds are rising."

Another illustration of the same phenomenon is the military card. A patriotic British message printed in the last century rings with a very imperial theme. "Naught shall make us rue/If England to herself do rest but true." By the time of the Second World War, when card sending began to flourish as never before, the sentiments were much more muted. One poignant, understated message from the trenches reads: "They keep us pretty busy/(and I mean they really do)/But just the same/I'll take time out/To wish this wish/For you . . . Merry Christmas."

In the US in particular, the extra demand created by the population dislocation of the war put the card industry on its present footing, beginning the trend which led to the emergence of a handful of very large, professionally-managed companies.

The most prominent of the current behavioural patterns is the urge for individual expression. The trick for the card companies is to find a sentiment which will appeal to a sufficient number of people to justify production, while appearing individual enough to make the card seem special.

Several new card companies in the US in particular have shown themselves particularly adept at exploiting these special niches — highly zany humour, risqué subjects, and cards for minorities featuring black Santa Claus and black children. But the big card companies are fighting back.

It is now possible to buy colossal Christmas cards as big as posters for $6, musical cards for $7, and select cards for the babysitter, doctor and neighbours. There are even cards from the family cat or dog.

All of this may seem frivolous. That would certainly have been the view of the 17th century Puritan colonists, who thought it displayed great moral weakness even to take time off at Christmas. Yet in the 1880s, the London Times gave an economic justification for the apparent excesses of the Christmas card industry which still reads appositely in the expanding service economy of today:

"Although the popular use of Christmas cards is no doubt condemned by stern philosophers of the unemotional school as so much worthless sentiment, it is not only . . . productive of considerable moral benefit, but it also works . . . a substantial good by the development of a new department of art. . . . We must remember that the extensive use of artistic cards has created a new and rapidly expanding field of enterprise, for which, in these days of overstocked markets, there is really much cause to be thankful."

Amen—and a happy Christmas.

CUDDLY BEARS AND CAREFUL PLANNING IN KANSAS CITY

"POVERTY FOR me was a tremendous spur," wrote Mr Joyce Hall, the founder of the Hallmark card company, in his autobiography. "It constantly gave me the advantage over a lot of folks when I was starting out."

Just how much of an incentive those early hard times were is evident today in a large complex of buildings going up on the edge of Kansas City, the mid-Western prairie town where Hall set up shop exactly 75 years ago. Hallmark's spanking new headquarters stand at the centre of the 80-acre site, and it owns every inch of the block.

As a private business, the precise extent of Hallmark's wealth is a closely guarded secret, but it is unquestionably a very large company. In the post-war years it has generated sufficient funds to expand rapidly overseas until it is now reckoned to be the largest greetings card company in the world, with a total payroll of 21,000. It admits to sales of more than $1.5bn, which would put it around 230th in the Fortune 500 list, and Forbes magazine has calculated that Mr Don Hall, the current chairman and son of the founder, is worth around $400m.

The steady process of expansion, helped by the drive overseas, and marketing through licensed Hallmark shops, has carried the company's card output alone to around 3bn a year. It dominates the greetings card business in the US, claiming a market share of around 40 per cent, some 5 to 10 per cent more than American Greetings, its nearest rival, and its related range of activities in gift wrapping, soft toys, stickers, albums, porcelain figures and so on, now account for as much revenue as cards.

To work at Hallmark means to be constantly surrounded by images of a redeemed world, a realm of happy creatures, cuddly bears, bright colours and warm sentiments. But success in the card business means imposing ruthlessly planned organisation on these benign materials, the responsibility of an army of 500 designers and 50 writers, who boil down sentiment into a marketable commodity.

"I had to divest myself of the notion that writing messages was literature," says Ms Barbara Loots, a Hallmark verse composer, who is also a published poet. "My concern is to know who will buy the card, what kind of life they lead, and how they express their thoughts."

The degree of organisation is demonstrated during the Christmas season, a prodigious undertaking at Hallmark, which involves planning two years ahead. During the Christmas period this year, the company will sell almost 1bn cards—or about one-third of its total output—in 2,500 different designs, figures that easily top those for St Valentine's Day, the second biggest card-selling event of the year. This effort demands a team job: Hallmark says that customers are first attracted by the external design, and then captured by the sentiment inside.

The palpable sense of teamwork and common purpose in the group derives partly from the paternalism of the founder, a patriarch of the old school who lavished benefactions on the city, and left employees 30 per cent of Hallmark in his will. In many ways, the company is still run like a large family, and the predominantly Kansas-based workforce responds in kind. "If you ask me what our staff turnover is, I would like to say nil, although I suppose it must be a bit more than that," says Mr Charles Hucker, vice-president.

At the same time, Hallmark has deliberately sought to avoid many of the workplace battlefields which scar much of American industry. The group was recently placed fifth in the list of the 100 best companies to work for in America, ranking particularly high on fringe benefits such as profit sharing. Hallmarkers, as they call themselves, have virtually a job for life because there is a no redundancy policy—in the 1981-82 recession, the staff was put to work on housing projects rather than laid off.

"This is the only bourgeois commercial art job I know where you can be truly creative and yet have job security," said one of the designers recently. It sounds a bit like being one of Santa Claus's elves.

Men and Matters

Schroder sets the pace

Merchant banker J. Henry Schroder Wagg will be glad to put its corporate feet up during Christmas after the busiest 10 days the bank can remember.

A series of events has given the Schroder image a boost in the margers and acquisitions arena — a sector it has not been particularly strong in recent years.

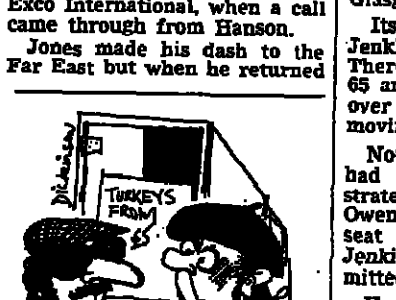
Nicholas Jones, a corporate finance director of the bank, aged 39, started his run of winners with a successful defence of the regional brewer Matthew Brown against a £125m takeover bid from Scottish and Newcastle, advised by Morgan Grenfell, widely regarded as one of the leading bid specialists.

Breathing threats of legal action if self-regulation failed, Jones and his team persuaded the full Takeover Panel to overturn a ruling of the panel's executive which would have allowed the bid to go through.

Jones was then about to fly to Singapore for talks with Tan Sri Khoo Teck Puat, the Malaysian businessman, who has built up a large shareholding in Exco International, when a call came through from Hanson.

Jones made his dash to the Far East but when he returned went straight intot meetings with Hanson. He emerged with the prize of the joint advisory role in the bid for Imperial alongside N. M. Rothschild who have been advising Hanson for years.

Finally, at the end of last week, a Schroder team led by Jones helped Tan Sri Khoo to obtain the three seats he had been seeking on the board of Exco in return for an agreement not to increase his holding to more than 29.9 per cent.



"Ere you are guv—freshly liberated from the cold store of a supermarket."

Jenkins to stay

Westminster's Kremlinologists recently spotted an important little item in the SDP's newspaper, The Social Democrat.

An advertisement seeks "a paid, part-time organiser, ideally experienced in press work or publications" in Glasgow Hillhead.

Its meaning is that Roy Jenkins intends to stand again. There had been talk that, aged 65 and not fully-fit at all times over the past year, he might be moving towards retirement.

Not at all. Although he has had some differences over strategy and style with David Owen, and has taken a back seat on day-to-day matters, Jenkins remains fully committed to the party.

He clearly sees a future role for himself if the Alliance prospers at the next election—especially if there is a hung parliament.

First, however, there is the hurdle of retaining Hillhead where he faces a tough Labour opponent in George Galloway, previously a leader of the Left in Scotland, and a man who more recently has moved into Kinnockite fold.

Jenkins is naturally not keen to repeat the fate of his hero Asquith who ended his active political career with defeat in a Scottish seat.

RMC's mix

In the macho world of bulk concrete presentation, it seems, is everything.

Which is why the materials company RMC has adopted a two-pronged approach to its seasonal promotions this year.

The FT's female construction correspondent received a tasteful calendar with pictures of frogs, toads, mice, and flooded quarries.

Our male property correspondent received a calendar of tasteful nudes on beaches.

Discrimination? "Well," said an RMC man, "You have to remember that we are a very basic industry. A lot of concrete is ordered on the spur of the moment on building sites. We want to make sure the foreman picks up the telephone and asks for three truckloads of ours."

Why, then, the tasteful mice and handsome frogs on the alternative calendars? It seems they are designed to appeal to City persons, chairpersons, councillors, and others, who need to be convinced that RMC is environmentally impeccable.

Japan relaxes

The Japanese do not celebrate Christmas in the conventional sense—though, at this time it is a fine excuse for a commercial bonanza and the shops of Tokyo look just like those on Oxford Street or Fifth Avenue.

But in keeping with at least the spirit of holidays the Japanese Parliament has just voted to give the nation an extra day off.

It is to take place on May 4th, and it is designed to give the country three straight days free from labour. May 3rd (Constitution Day) and May 5th (Children's Day) are already holidays. Together with the Emperor's birthday on April 29th, these have formed the basis of the so-called spring "Golden Week," when Japan does pretty well shut down.

However there is some doubt about how long April 29th can remain a public holiday. The Emperor Hirohito is now well into his eighties, and in the 61st year of his reign.

The Crown Prince Akihito, has his birthday today. When he assumes the throne, the day will presumably become a national holiday.

The second great holiday season in Japan is the New Year's break from around December 30th until January 4th. Thus the 23rd December could become the start of an even longer winter break, into which Christmas itself might fit rather conveniently for Japanese business and leisure interests.

That, more than any trade retaliation or currency realignment, could really cut into Japan's competitive edge.

RIB-tickling

The new City watchdog body born out of the Government's Financial Services Bill is sadly without a name.

This follows a last-minute flap in Whitehall, due to the realisation that the Government might face a good deal of ribbing if the proposed title of RIB (Regulation of Investments Board) was bestowed.

Fearful of the rib-tickling and spare rib possibilities for eager headline writers, a swift message has been despatched from Whitehall to the City. SIB (Securities and Investments Board) and MIB (Marketing of Investments Board) who were about to merge into RIB were told to think again.

Unable to come up with a new title before publication of the Bill, the new watchdog is nameless.

After recent unhappy events in the City the new favourite in the name game must be FIB.

Observer

BASE LENDING RATES

ABN Bank	11½%	■ Guinness Mahon	11½%
Allied Dunbar & Co.	11½%	■ Hambros Bank	11½%
Allied Irish Bank	11½%	Heritable & Gen. Trust	11½%
American Express Bk.	11½%	■ Hill Samuel	§11½%
Amro Bank	11½%	C. Hoare & Co.	11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Associates Cap. Corp.	12 %	Johnson Matthey Bkrs.	11½%
Banco de Bilbao	11½%	Knowsley & Co. Ltd.	12 %
Bank Hapoalim	11½%	Lloyds Bank	11½%
Bank Leumi (UK)	11½%	Edward Manson & Co.	12½%
BCCI	11½%	Meghraj & Sons Ltd.	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Scotland	11½%	National Bk. of Kuwait	11½%
Banque Belge Ltd.	11½%	National Giro Bank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd.	12½%	Northern Bank Ltd.	11½%
Brit. Bank of Mid. East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans. Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd.	12½%
Cayzer Ltd.	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Citibank NA	11½%	Royal Trust Co. Canada	11½%
Citibank Savings	¶12½%	Standard Chartered	‖11½%
City Merchants Bank	11½%	TCB	11½%
Clydesdale Bank	11½%	Trustee Savings Bank	11½%
C. E. Coates & Co. Ltd.	12 %	United Bank of Kuwait	11½%
Comm. Bk. N. East	11½%	United Mizrahi Bank	11½%
Consolidated Credits	11½%	Westpac Banking Corp.	11½%
Continental Trust Ltd.	11½%	Whiteaway Laidlaw	12 %
Co-operative Bank	*11½%	Yorkshire Bank	11½%
The Cyprus Popular Bk.	11½%		
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd.	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	12½%		
First Nat. Sec. Ltd.	12½%		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptrs.	12½%		
Grindlays Bank	‡11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,600+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8.00% gross.
‖ 21-day deposits over £1,000 9.25%.
¶ Mortgage base rate.
§ Demand dep. 8%. Mortgage 13%.

TELEVISION IN BRITAIN

Why Peacock should not plug into the market

THE licence fee is the "least unsatisfactory" method of funding the BBC, concluded the Annan report on the future of British broadcasting in 1977.

Eight years on, the Peacock Committee's task of finding a viable alternative to the licence fee is daunting. The problem is that there are compelling objections—conceptual as well as practical—to both of the radical options most regularly canvassed: advertising and some form of pay or subscription TV.

The committee has been bombarded with submissions seeking to demonstrate that advertising is not a practical short run option. Among the more heavyweight studies are contributions from Dr Alan Budd of the London Business School (on behalf of ITV) and Dr Brian Sturgess, until recently at the City University Business School (for the BBC).

Although many of the sceptics use complex econometrics to support their case, the fundamental argument against advertising is very simple. The BBC's present revenue requirement is about 80 per cent of independent television's advertising earnings. These, in turn, account for about 30 per cent of the total UK advertising market.

The BBC is thus such a large fish that it could not be simply dumped in the British advertising pool without creating shock waves. The market would have to expand by 24 per cent if nobody was to get hurt. The only possibility is for the BBC to slide slowly and gracefully into the pool.

The debate has thus focussed on the scope for phasing in advertising without causing too much disruption to other media. One idea is that the licence fee should be frozen in money terms and the BBC encouraged to use advertising as a top up which would become gradually more significant over time.

The extent to which the BBC could rely on advertising without bankrupting competitors such as the smaller regional independent television companies depends mainly on two things: the real growth that could be expected in the TV advertising market without the BBC and the impact of the BBC's entry on that market.

Representatives of advertisers have been very optimistic on the first front, extrapolating the encouraging trend of the past decade and conveniently forgetting the sharp decline in the real price of TV advertising in the decade before their base year of 1975. As Dr Sturgess points out, TV advertising revenue growth has been very volatile in the past. It seems unwise to rely on underlying real growth of more than about 3 to 4 per cent a year on average which is in line with long run trends.

How would the BBC's entry affect the TV advertising market? It might seem intuitively likely that the whole market would expand and that the main losers would be other media such as newspapers and magazines. The econometricians think otherwise. Dr Budd, for example, argues that the increased supply of commercial airtime would cause TV advertising rates to fall and that this price effect would more than outweigh the increased volume of advertising. Total spending on TV advertising would decline: "the ITV companies will lose more than the BBC gains."

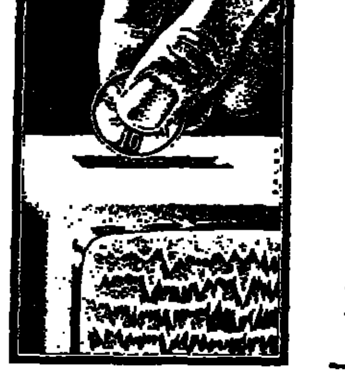
The economic consultancy firm appointed by the Peacock Committee itself agrees with Dr Budd. Introducing advertising to the BBC, it says, "will reduce the size of the advertising pie compared to what it would otherwise have been." Other economists, such as Dr Sturgess, are less pessimistic, assuming that total spending on TV advertising would remain unchanged if the BBC entered the fray. Even so every pound gained by the BBC would be a pound lost by the independent TV companies.

The scope for financing the BBC through advertising thus depends on the expected real growth of the UK advertising market. Dr Sturgess argues that even if the BBC absorbed all the real growth (which assumes a pretty sleepy performance by ITV) it would by 1992 be able to fund only 70 per cent of the revenue shortfall created if the licence fee were frozen at £58.

It would require three minutes per hour of advertising on BBC during peak viewing hours and would severely dent the profitability of independent TV companies, pushing Central TV, for example, into loss by 1991.

Other projections, which assume faster overall growth of the TV advertising market, suggest the BBC could fund the licence shortfall more easily. There seems little doubt that with vigorous cost and capacity cutting the broadcasting industry could survive the phased introduction of advertising on the BBC. The more important economic question is whether it should have to. Is advertising in principle an efficient way of financing broadcasting?

Most economists would probably agree that it is not. There is little reason to suppose that



it leads to either the optimum quantity or quality of TV programmes. This should not be a surprising conclusion: if the consumption of one commodity (TV programmes) by one group (the general public) is paid for by a quite different group (national and multi-national companies), demanding a quite different commodity (commercial airtime), why should the result be expected to be optimal?

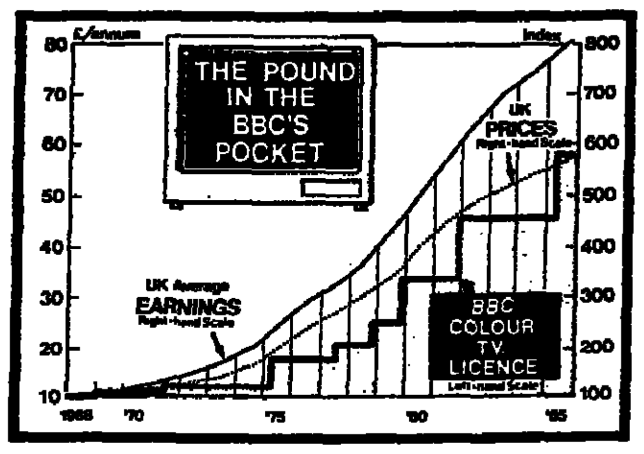
Econometric studies show that the amount of money businesses devote to TV advertising depends mainly on two things: the level of corporate profits and the price of advertising on TV relative to the price of advertising elsewhere. Why should the value of TV advertising thus determined bear any close relation to the sum consumers would be willing to spend to watch TV programmes? There is no mechanism to bring the two into equality: advertising leaves an unbridgeable gulf between the final consumers of programmes and the ultimate providers of cash.

There is also an economic argument against financing broadcasting by advertising that focuses on the quality of TV programmes. Most advertisers of most products want access to the largest possible audience. Broadcasters that have to compete for advertising revenue (at present independent television has no direct competitor) thus face irresistible pressure to put on programmes that attract the

Michael Prowse, in the second of a series on the future of broadcasting, argues that alternatives to the licence fee may be over-rated

biggest audiences. The floodgates to bland, lowest-common-denominator TV are automatically opened.

This was the sort of argument that enabled the 500 page Annan report of 1977 to dismiss the case for advertising in just 16 lines. It is worth noting, however, that attention to quality is not mere elitism but a recognition that different types of TV programmes are different commodities. Their value to advertisers as vehicles for selling products does not coincide with their value as things-in-themselves to consumers and to assume otherwise is to commit an economic fallacy.



The fundamental objection to advertising is that it does not introduce "market forces" into broadcasting in a helpful way. The other radical alternative to the licence fee—pay TV—apparently offers much greater promise. The essential idea is that viewers should be able to pay for what they watch rather as they now pay for electricity. Even the BBC has described pay TV as a "beguiling" prospect although it has been quick to stress the technological difficulties—millions of adaptor units would be required to decode scrambled signals at a cost of up to £50 each.

Pay TV is at best a long-run alternative to the licence fee. But this should not prevent it being taken seriously by the Peacock Committee, which many feel should be looking beyond the end of this century. The most enthusiastic exponent of a sophisticated version of pay TV (resting on a national grid of fibre optic cables supplying a "near infinity" of channels) is Mr Peter Jay. In his view, the Peacock Committee should be exercised by a single priority: how to subject "electronic publishing" to the discipline of market forces.

There is, however, one fundamental objection to pay TV. Broadcasting, whether by terrestrial or satellite-based transmitter, is a classic example of a "public good": additional consumption by one person does not imply reduced consumption by another. The marginal cost of supplying an expensive documentary to one more viewer is zero. The fundamental law of market economics is that pricing at marginal cost is efficient in that it maximises the overall welfare of consumers. On this theory, the viewer should be charged nothing.

The case against pay or subscription TV, technical and cost problems aside, is thus that it prices inefficiently. It aims to recoup from viewers the cost of making programmes (plus a mark up). But if people are charged more than the zero marginal cost of broadcasting a programme to an extra home, they will wrongly be discouraged from viewing. There seems no point in assuming that the public good of broadcasting can or should be magically transformed (via fibre optics) into a private good just so that the normal rules of the market can be made to apply.

The difficulties with both advertising and pay TV suggest that the present policy of funding roughly half of TV broadcasting through a licence fee is not as economically inefficient as is sometimes assumed. One suggestion is that it should be transformed into a straightforward tax: the BBC could, for example, be given some small and fixed percentage of the VAT haul (the percentage calculated to give it the same revenue as the licence fee in the first year).

Collection would be both cheaper and simpler: detector vans could be scrapped. The levy would also rise automatically in line with inflation, obviating the need for frequent and politically-sensitive reassessments of the BBC's revenue needs.

Yet there are also strong arguments against such a solution. It may be argued that no organisation with monopoly power should be granted access to so secure a source of real income. Given the complexity of the economics of broadcasting there is no straightforward answer to the question: how much of the nation's resources should be devoted to television? It may therefore be better that the BBC is obliged to fight the case for a particular level of the licence fee (in the process demonstrating that it is controlling costs) than that it should be remunerated according to a pre-set formula.

The licence fee is far from an ideal solution—although there is little evidence that the consumers of TV programmes resent it as much as politicians say they must. The challenge for the Peacock Committee is to demonstrate that some other system is politically acceptable, economically efficient and capable of delivering the same quality of service at the same or a reduced cost.

The first article in this series appeared on December 3.

Lombard

Old fashioned Europeans

By Malcolm Rutherford

MRS THATCHER made a very interesting and so far little-noticed comment about British foreign policy in her interview with Michael Charlton on BBC Radio 3 last week. Asked about the Anglo-American relationship and Britain's role in Europe in the context of the Westland helicopter argument, she denied that there was any question of Britain having to choose between Europe and the US. We have both.

She went on: "Really, the Free World is centred round the Atlantic. On one side, Europe—the older Free World. On the other side, the United States is Europe overseas."

And she added for good measure: "Britain's role is very, very special. I think we have probably the best view of Europe. Do not regard Europe/America as either/or. Regard it as two pillars between which a bridge runs."

The Prime Minister is right, but does not yet go far enough. She omits the Pacific.

One of the intriguing aspects of the Westland saga has been the way people have crowded round demanding a "European solution." There have been some strange bed-fellows: most of the Labour Party, for instance, as well as Mr Michael Heseltine, the Defence Secretary, and Lord Weinstock of GEC coming in with a last-minute bid.

Some 20 years ago, such an approach would have been correct. There was, then, a case for building up what the late President Kennedy called the twin pillars of the Atlantic Alliance. The trouble is that Britain was not a founding member of the European Community and, indeed, did its best to prevent its coming about. The Community that Britain eventually joined and of which it has become a full and active member is an altogether different entity from that envisaged by the original Six.

Today, there are all sorts of cross-Atlantic links. Is Siemens a German company, when it invests directly in the US, is it European, or is it simply a multi-national going its own way? Multinationalism and multi-lateralism are the order of the day. It is more a case of a seamless web of interdependence than twin pillars of separate identities.

It is, in any case, odd to talk about a European identity, when the other half of Europe is excluded.

The argument over Westland has assumed symbolic proportions. Apart from the fact that the outcome is not of earth-shaking importance, it is hard to see why an agreement that includes Fiat of Italy, as well as Westland itself, and brings in the best of American technology can in any way be regarded as anti- or even un-European. Britain, after all, is part of Europe.

That is where Mrs Thatcher is right. There is a bridge across the Atlantic, and the bridge is Britain.

Where she is wrong is in not taking the argument further. If Western Europe wants to be more of an equal partner or competitor to the US, it needs a new ally. On the assumption that the ally is not going to be the Soviet Union, and that the future of China is uncertain, there is only one place to turn: Japan.

Japan is very powerful and very lonely. Yet, an alliance between the West Europeans and the Japanese would change the global balance of power overnight. Everyone would be obliged to take note: the Russians, the Chinese and the Americans. Who knows? The Japanese, if asked, might even have put some money into Westland helicopters and provided markets in the Far East into the bargain. Nobody thought of it.

Sir Geoffrey Howe, the Foreign Secretary, is fond of saying that Britain usually does the right thing in the end, only 20 years too late. The relationship with the European Community is a perfect illustration. Britain joined too late. Mrs Thatcher was a late and reluctant convert to the possible benefits and the Labour Party is only beginning to catch up.

Yet the catching-up is with the Europe that might have been 20 years ago, not the loose collection of states that exists today. There is no such thing as a "European solution" to anything in the old terms. Why not leap forward and take in Tokyo?

Letters to the Editor

Lawmakers and obedience

From Mr F. Finston

Sir,—I can understand the wish for the highest standards of integrity in the City. I agree with that, but find it increasingly hard to accept homilies from politicians. While they are unable to agree on full and mandatory disclosure of their financial interests, they seem to be unaware of just how much detail the Companies Acts impose on company directors as far as full disclosure is concerned, and most auditors insist on annual confirmation signed by the director in person.

When I look at the way overseas junkets are handed out both by Ministers and the respective Whips offices, whether to reward long plodding service or as douceurs for future compliance (without any obligation to account or disclose details for any public scrutiny) I must say I would find it easier to accept new laws, if our lawmakers at least imposed on an enforceable basis, the same standards on themselves, that they rightly demand from others.

Abolition of domestic rates in the United Kingdom was a clear Conservative manifesto pledge before the last two elections, not to mention a reduction in the share the state takes of national income. What would happen to any bank or stockbroker lending their names to such promises in an offer for sale?

I know of no accountant who would be willing to treat as a reduction of public expenditure the proceeds of "privatisation." I could go on, but the point is surely that until Members of Parliament accept for themselves and impose on the Government the same standards they wish to be followed by others, the present disdain and, frequently, contempt felt by the public for politicians on all sides will increase, with all the harm this implies to our political system.

F. R. Finston.
38 Abbey Gardens, NW8.

Channel link traffic

From the Editor, Railway Gazette International

Sir,—The optimistic forecast by French Railways (SNCF), mentioned in your December 16 Channel project feature, that as many as 10 through trains an hour might want to transit the tunnel would certainly not "create capacity problems" for Channel Tunnel Group's rail link, as Andrew Taylor suggested. Long before such traffic levels were reached, fully automatic driving under computer control would make it possible to operate at two-minute headways, giving a theoretical capacity of 30 trains an hour each way. This is a huge volume of traffic — road or rail — far in excess of any credible forecast for the next 20 years.

SNCF would prefer exclusive use of a rail tunnel — given the choice — because its trains could go through faster if there were no shuttles in the way. But his option is only available in practice if a cast iron case can be made right now for investing £1.4bn in separate rail tunnels, as proposed by Euro-Route. This in turn means convincing investors that SNCF's estimate of 16m passengers a year is rock solid, whereas it actually rests on decisions which may (or may not) be taken by the French, Belgian and German Governments several years hence to spend billions of pounds on new rail infrastructure.

Once road traffic is catered for by the shuttles, CTG's through rail facility demands no extra investment. So the railways have no need to commit themselves in advance to a level of traffic which they do not at present have the physical resources to generate.

If, in the next century, high speed trains prove so successful that a case can be made for investment to reduce the delay imposed by the shuttles, extra rail tunnels could be bored alongside. This could be done in stages, for example by driving a parallel bore to the steep climb up to the Cheriton terminal which would allow through trains to overtake the shuttles before the 1 in 100 gradient slows them down.

Richard Hope.
Quadrant House, Sutton, Surrey

Trend of pay settlements

From the Editor, Incomes Data Services Report

Sir, — Your report (December 18) that the CBI's view that the trend of pay settlements is now flat apparently conflicts with reports by independent pay research groups. Our latest research findings are not dissimilar to those of the CBI databank. We said that the going range of basic increases from 5 to 8 per cent, set in the spring and summer of 1985, has been maintained in the period from August to December.

On the other hand we have also looked in detail at individual settlements effective from October to December 1985 and compared the percentage increases on basic rates with those set in the same negotiations in the equivalent months in 1984. This year-on-year comparison showed more settlements were up (by a small amount) than down.

This analysis of pay settlement data is in fact confirmed by the CBI databank figures for 1984 and 1985. The CBI said that the average level of settlement in manufacturing for the period August to December 1984 was 6 per cent whereas for the same period in 1985 the CBI's average is 6.5 per cent. The year-on-year comparison shows that there has been (on average) a small rise in the level of settlements in a reasonably matched sample of negotiations.

Our month-by-month analysis has shown that there was a small upward drift in settlement levels in the first months of 1985, since when the overall range has remained fairly stable. But this autumn settlements have been slightly higher than a year ago at a time when the CBI has called for member companies to settle 2 per cent below last year's increase.

Settlements are "flat" when compared with the second and third quarter of 1985 but not when compared with the equivalent period last year.

Alastair Hatchett.
140 Great Portland Street, W1.

Scarcity of skills

From Mr D. Clarke

Sir,—The Manpower Services Commission report on training "A challenge to complacency" (December 11) includes some valuable proposals for meeting a crying national need. But the Government will certainly need to recognise the fundamental significance of training and put its own weight behind the necessary changes if they are to be effectively implemented. Statutory support is likely to be needed not only to encourage employers to do their bit but also to ensure that individuals from the high school stage onwards who want to acquire relevant skills and update them have the opportunity to do so. It is unfortunate that the Government, according to your industrial editor, has not been willing to consider creating the necessary statutory framework although elements of a comprehensive policy exist in the various responsible departments.

Ministers are currently more concerned about the rising base cost of labour than its effectiveness in adding value But there may be a causal relationship between the unacceptable rise in wage rates, identified by the Chancellor, and the unacceptable shortage of appropriate skills, identified by the MSC.

There seems no doubt that a scarcity of skills forces up the price of labour by competitive bidding: the financial sector provides a particularly notorious example at present. Organisations which have no training resources of their own buy in the necessary trained staff on irresistible terms, rather than spending time and money on the necessary training. The investment in training is too heavy for the affected businesses merely to accept the losses, so pay rates generally have to be adjusted to stem the outflow of skilled staff, even though there are no consequential productivity gains.

It is not apparent from the summary whether this question is covered by the report but if the MSC could substantiate the theory that a direct link exists between skill shortages in industry and excessive pay rises their proposals might carry more weight with both Government and employers.

D. R. Clarke.
77 Cottenham Park Road, SW20.

Incentive schemes

From the Chairman, James Beattie.

Sir,—I have yet to hear of management incentive scheme which, thoroughly tested over a ten-year period, has been judged a success.

Financial incentives will not stimulate chief executives to greater wisdom, integrity or leadership, and practically all schemes fail accurately to assess to what extent a chief executive has fully exploited the benefits available in good times, or give credit for brilliant defensive action in the bad.

The greatest defect in so-called incentive schemes is the way in which they lead to the deadly "we and they" situation within a company, the management receiving all kinds of benefits not available to others, in particular the indecently high golden handshake awarded on failure.

Businesses need dedicated, unselfish leaders who pursue excellence in all things and see as a top priority the creation of a happy, self-respecting team which they are proud to lead, not those who pursue the cult of personality.

Unless British industrial companies seek to copy the kind of spirit prevailing in a good military unit, and the methods by which this is achieved, the British disease will continue to kill us.

James Beattie.
71-78 Victoria Street, Wolverhampton.

FINANCIAL TIMES

Monday December 23 1985

Terry Byland on Wall Street

Tobacco regains its puff

THE LATEST broadside against the US tobacco industry, in the form of a devastating report from the Surgeon-General on the effects of smoking on the nation's workforce, failed to check the revived investment interest in tobacco shares. Philip Morris, R. J. Reynolds Industries, American Brands and US Tobacco – which concentrates on producing chewing tobacco – all joined in Friday's strong rise on Wall Street.

All four extended the gains chalked up at the beginning of the week in the wake of apparently favourable rulings over the industry's liability for death from diseases related to smoking. But the rulings are no more than a first step in the potential avalanche of disease-related claims that has cast a shadow over the tobacco sector.

Tobacco shares have outperformed the market since the beginning of the month – although that may mean less than it says, since most of the sector has woefully underperformed against industrials since the latest bull surge started in September.

More significant than the price gains may have been the heavy turnover in tobacco issues last week. Philip Morris and Reynolds, the core of the sector, featured prominently in the active shares list of the New York Stock Exchange for two consecutive days.

Both shares still figure extensively in institutional portfolios, yet there were no reports of sizable block trading on Monday, when 2.3m Reynolds and 1.8m Morris

	Price	% change since Dec 1
Philip Morris	87	+9.4
Reynolds	31½	+8.6
Am. brands	65⅝	+7.8
US tobacco	33⅜	+5.4
S&P 500	211.10	+4.4

shares changed hands. That suggests that the institutions may have been offloading tobacco shares on to the private investor.

That would tie in with the generally cautious view of the recent legal rulings by tobacco-sector analysts on Wall Street. There was no shortage of advice to "sell into strength," or "avoid increasing equity stakes."

Of the two rulings that fired off the gain in tobacco shares last week, one related to the California judgment that dismisses attempts by GAF to involve Reynolds and four other tobacco manufacturers in liability suits against it by sufferers from asbestos-related sicknesses.

The asbestos-related threat was always a slightly tangential issue for the tobacco companies, whose real fear is the straightforward claims from representatives of lung cancer victims. Moreover, the Surgeon-General seemed to relegate the asbestos-related claims to the sidelines when he said that smoking is "a greater cause of death and disability" than working with either asbestos or coal dust.

That puts tobacco shares back on the book of the cancer-related suits, the first of which – aimed at R.J. Reynolds – will be presented to a California jury this week by the redoubtable Mr Melvin Belli, the scourge of the personal liability courts.

The sight of Texaco reeling towards Chapter 11 after a federal court ordered it to pay $11.1bn to Pennzoil presented Wall Street with a sharp lesson of what the law can do to a major corporation. The oil company may yet escape the worst effects of the penalty, but it is hard to see how the tobacco groups could escape from just one adverse ruling on a cancer-related death.

Yet R.J. Reynolds's stock price, now close to its 12-month high, has risen by 19 per cent since the start of the latest bull phase in September which has put only 13 per cent on the S&P 500, or 17 per cent on the Dow Jones industrial average.

Such confidence reflects Reynolds's success in diversifying out of tobacco and into the role of the largest consumer products company in the US, with Nabisco Brands, Del Monte, Kentucky Fried Chicken, Canada Dry and Shredded Wheat in its stable.

Philip Morris, despite the acquisition of General Foods, is still tagged as the biggest US cigarette manufacturer, and its share price has lagged behind both Reynolds and the S&P index.

But the problem for the stock market is now to measure the potential damage to the companies of any adverse product liability suit. And that problem will come a significant step closer this week in a California courtroom.

FINANCIAL INSTITUTIONS TO BUY MOTOR PARTS GROUP

BL to retain Unipart stake

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

UNIPART, the spare-parts distribution business within the BL group, is to be sold within six months to a consortium of financial institutions, but the British state-owned group will retain a substantial minority shareholding.

That method of privatisation has been chosen because Unipart is not so attractive to private investors as was Jaguar, which BL sold last year, particularly as efforts made to prepare the company for sale have reduced its profit substantially.

Unipart's audited accounts, which have now been filed, show that it made an operating profit of only £8.7 ($12.4m) for 1984, whereas the BL accounts last April credited it with a profit of £14m.

For 1983, the BL report gave Unipart's operating profit as £16m while the audited results show a profit of £17m.

The difference is accounted for by:

● Changes in the arm's-length contractual arrangements between Unipart and other BL companies made in preparation for its separation from the group;

● The disposal of three loss-making subsidiaries by Unipart;

● The treatment of the results of Edmunds Walker, the distribution business acquired in August last year.

Edmunds Walker, bought from AE for £15m, provided Unipart with another 120 outlets and 30,000 motor-trade accounts for its components distribution business but has been turning in net losses of about £5m a year. However, the institutions seem satisfied that there is nothing fundamentally wrong with Edmunds Walker and that Unipart is a better company for having bought it.

Unipart's accounts state that the changes to the arrangements with other BL companies in 1984 "led to a reduction in profit."

Sales to BL companies last year were £848,300, or 22.9 per cent of the £369.1m turnover, a reduction from £946,130 in 1983, representing 27.4 per cent of the £346m turnover.

BL argues that the substantial business links between Unipart and its other subsidiaries justify its retention of a significant shareholding – the size of which has still to be settled – when the company is returned to the private sector.

But it also raises questions by critics about the advisability of a leading car company – BL's Austin Rover – selling its spare parts distribution business.

The Unipart accounts also show that during last year the SU Butec division, consisting of five manufacturing companies, was split up and three businesses transferred to ARG Holdings, BL's car division.

That involved an exceptional write-off of £3.8m and redundancy costs of £1.5m. After taking account of those items, SU Butec lost £6.1m net for 1984 against a £2.3m profit the previous year.

Two of the companies transferred to ARG – Llanelli Radiators and Bean's Engineering of Tipton, Staffordshire – now form the SU Butec division with ARG, but the third, Butec Electrics of Leyland, in north-west England, was subsequently passed on to Leyland Vehicles' parts division.

Unipart has retained Oxford Exhausts and Coventry Components, an engine remanufacturer, which both make products sold by Unipart in the aftermarket.

The accounts show Unipart as currently funded mainly by an interest-free loan of £110.9m from BL.

The net book value of its assets at the end of December last year was £40.7m, up from £32.7m at the same time in 1983. The company paid tax of £173,000 in 1984 to give a net profit of £8.54m against £17m.

Total redundancy payments, including those at SU Butec, cost £2m last year, the same as in 1983.

Capital expenditure last year was £12.87m, up from £8.5m.

Brussels proposes four-year extension to fibres agreement

BY ANTHONY MORETON IN LONDON

THE EUROPEAN Commission has proposed that the Multi-Fibre Arrangement (MFA), the world agreement that controls much of the international trade in textiles and clothing, should be extended for "a minimum of four years" when it expires at the end of next July.

It has also suggested that the rate of increase of imports from dominant suppliers such as Hong Kong, South Korea and Taiwan should be cut to allow poorer countries, such as Bangladesh, Sri Lanka and Pakistan, greater access to Europe.

Those proposals will be put before the EEC's Council of Ministers at its next meeting in Brussels on January 27 when the future of the MFA is under discussion.

Both the EEC, which negotiates on behalf of all 10 members – to be increased to 12 on January 1 with the accession of Spain and Portugal – and the US are now drawing up mandates that look likely to be tougher than was thought six months ago.

The European Commission has proposed, for instance, that there should be a revision of the surge clause, which allows the temporary reduction of largely under-used quotas if there is a danger that the level of exports would rise suddenly.

In addition, it wants some technical changes, such as making the basket-extractor mechanism – which allows new quantitative limitations during the life of the MFA – more liberal. It has become clear that the 12 European governments are hopelessly divided over those recommendations and it will be difficult to reach a meaningful agreement.

As a result of the accession of Spain and Portugal, both important textile and clothes-producing countries, the Europeans have split into three groups instead of the usual two.

Four countries – West Germany, Denmark, the Netherlands and the UK – are seeking a more liberal mandate than that agreed four years ago when the MFA was last extended.

France, Italy, Ireland, Belgium and Luxembourg have refused to shift from their traditional pose of wanting tough conditions imposed on the suppliers.

A third group, comprising Greece, Spain and Portugal, has now emerged. It wants an even tougher stance than that advocated by the traditional hard-liners.

Because of the divisions, officials in Brussels are pessimistic about getting agreement from the Council in January and believe it might be the end of March before a consensus emerges.

At the same time, the possibility of a more liberal US mandate has been engendered by the decision of President Ronald Reagan to veto protectionist measures in Congress.

To placate the many critics of his veto, the President has instructed Mr Clayton Yeutter, the US Trade Representative, to negotiate "aggressively" a new round of talks on "terms no less favourable than the present."

Iran may switch car contract to Nissan

Continued from Page 1

subject with the Iranian authorities took place three months ago.

The impact on the UK company's plant at Stoke, near Coventry, where 1,450 people are employed building Peykan kits and engines for other models, almost certainly would not be felt for two to three years even if a deal with Nissan were signed immediately.

The Iranians, keen on promoting domestic employment, are insisting that the level of "local" content must move well above the 65 per cent level achieved by Talbot with the Peykan.

Even the Peykan's body pressings are produced domestically, and Talbot executives with long experience of working with Iran National believe it would take three years to re-equip the plant, manufacture new tooling and bring a new model on stream.

By that time, Peugeot's UK subsidiary hopes to be making enough new models for UK and continental European consumption largely to offset the demise of the Iranian business. Moreover, with more than 1m Peykans on Iran's roads, it should have a substantial source of replacement parts business for years to come.

Peugeot Talbot is likely to have mixed feelings about the prospects for the Peykan business, which began in 1967, finally drawing to a close.

One the one hand, the revenue it generated – up to £130m ($185m) in some years – probably prevented the Peugeot parent from closing its UK subsidiary altogether as its share of the UK market shrank from around 12 per cent to the current 4 per cent.

On the other, it has been notoriously unpredictable, being subject to persistent interruption in the face of Iran's finance problems arising from the long-running war with Iraq.

Payment problems led Peugeot Talbot to ship no kits at all to Iran between November, 1984, and August of this year – a situation said by the company to have been responsible for its sharply-higher pretax loss of £13.1m in this year's first half, and for the fact that there is no prospect of a profit for the full year.

The company made a profit of £727,000 last year, down from £3.1m in 1983 – the first year for a decade in which it had been in profit.

Peugeot Talbot's contract provided for 100,000 kits a year. The higher volumes envisaged for a new car is an indicator of Iran's desire to get to grips with current seven-to-eight year waiting lists. Nevertheless, it is still according cars a low priority in its foreign exchange disbursements. A new contract for Nissan would be likely to involve an oil barter deal

Mandela held after return to Soweto

Continued from Page 1

ulation that Mr Mandela, perhaps South Africa's most important black leader, might be offered conditional release by the authorities after 23 years in detention. Western governments have urged Pretoria to begin talks with Mr Mandela and other black leaders.

Speaking after Mrs Mandela's expulsion from Soweto but before her subsequent arrest, Bishop Desmond Tutu, the black Anglican Bishop of Johannesburg, accused the Government of "trying to break her spirit harassing her, doing all kinds of things, but they've failed dismally. All they've done is increase her stature in the black community and the international community."

The Government's partial relaxation of her original banning order may have been an attempt to display flexibility ahead of imminent visits to South Africa by the Commonwealth contact group, and the committee appointed by President Ronald Reagan to re-assess US policy towards South Africa.

If this is correct, it has backfired, for Mrs Mandela's arrest is likely to attract protests from Western governments as well as fuel black resentment in South Africa itself.

● Eight people were injured in Durban on Saturday when a black youth threw a bomb under the car of a family of white holiday-makers. Elsewhere, violence continued in black townships and police, said that they used tear gas and birdshot to disperse rioters.

'Coup plotters' named as Lagos arrests over 300

Continued from Page 1

itary Council under Buhari, he was demoted when General Babangida left him off the SMC successor, the Armed Forces Ruling Council;

Group Captain Salauwudeen Latiwo, director of personnel in the air force, which for the first time in Nigeria's history of coups seems to have played a prominent role. A former governor of Kwara state under Buhari, he is regarded as close to General Tunde Idiagbon, a leading figure in the Buhari regime who was placed in detention after the August coup;

Colonel Obeya, director of intelligence at Dodan Barracks, Lagos; and **Colonel Oche**, military intelligence, Apapa, Lagos.

Col Obeya, say government sources, played a key role both as instigator of the coup plot and a co-ordinator who tried to forge different factions into one bloc.

The air force involvement, say the sources, included a plan to bomb Dodan barracks, likely to have remained loyal to President Babangida despite Col Obeya's alleged role.

The disruption caused by the plot and its aftermath comes at a critical point in the country's fortunes, for the budget is due to be delivered at the end of this month.

Now that the IMF has been rejected, which in turn rules out a World Bank structural adjustment loan and the rescheduling of some $2bn of uninsured trade arrears, the budget must set out an alternative economic strategy which also takes account of the further fall in world oil prices.

Westland chief's doubts

Continued from Page 1

the Libyan Government in Fiat (publicly known for several years) to question the suitability of the Sikorsky-Fiat plan.

Mr Heseltine noted that if this turned out to be true, "it would have implications that as Secretary of State for Defence I would have to put to my colleagues."

Mr Heseltine said that his ministry's offer to buy six Sea King helicopters was dependent on achieving savings by spreading overheads which would result from the implementation of an agreement between European defence ministers on the purchase of a common battlefield helicopter.

Similarly, he pointed out that there was no money in the existing UK defence budget for the purchase of the Black Hawk system which would be built by Westland if it linked with Sikorsky. This was because of an inter-departmental recommendation to carry on with existing helicopter types into the 1990s and then adopt a European solution.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	16	59	Dubrovnik	S	13	55	Malaga	D	12	54	Salzburg	S	7	45
Algarve	F	15	59	Faro	F	17	63	Malta	–	—	—	Seoul	F	3	37
Algiers	S	18	64	Florence	F	7	45	Manila	C	31	88	Singapore	F	31	88
Amsterdam	F	8	46	Frankfurt	S	4	39	Miami	C	19	66	Stockholm	F	5	41
Athens	F	9	48	Funchal	F	18	64	Milan	Fg	0	32	Strasbourg	S	3	37
Bahrain	F	22	72	Geneva	S	1	34	Moscow	Sn	–6	21	Sydney	F	29	84
Bangkok	S	30	86	Gibraltar	F	16	61	Munich	S	11	52	Taipei	C	19	66
Barcelona	S	11	52	Guernsey	C	9	48	Nairobi	C	24	75	Tangier	F	17	63
Beirut	R	19	66	Helsinki	C	5	41	Naples	S	14	57	Tehran	–	—	—
Belgrade	S	7	45	H Kong	F	19	66	New Delhi	S	19	66	Tel Aviv	C	15	59
Berlin	S	6	43	Innsbruck	S	5	41	New York	C	0	32	Tenerife	–	—	—
Biarritz	F	12	54	Inverness	S	5	41	Nice	S	11	52	Tokyo	R	5	41
Blackpool	F	7	45	Istanbul	R	8	46	Oporto	C	13	55	Toronto	C	4	39
Bordeaux	S	11	52	Jersey	R	9	48	Oslo	F	2	36	Tunis	S	17	63
Brussels	S	10	50	Jo'burg	C	19	66	Paris	S	8	46	Valencia	–	—	—
Budapest	S	6	43	Las Palmas	F	20	68	Prague	S	7	45	Venice	Fg	3	37
B Aires	S	29	84	Lima	S	22	72	Reykjavik	S	–4	25	Vienna	Fg	1	34
Cairo	C	17	63	Lisbon	S	15	59	Rio de J'o	S	33	91	Warsaw	S	6	43
Cape Town	S	23	73	Locarno	S	3	37	Rome	S	12	54	Zurich	S	1	34
Caracas	–	—	—	London	R	10	50								
Casablanca	S	19	66	Los Angeles	C	28	82								
Copenhagen	C	6	43	Luxembourg	S	3	37								
Corfu	S	14	57	Madrid	D	5	41								
Dublin	S	8	46	Majorca	F	16	61								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Ski holidays feel the heat

UNSEASONALLY warm weather is turning the start of the European ski season into something of a disaster, writes Arthur Sandles in London.

Hotel booking for Christmas and the new year are poor as ski lifts stand idle in spring-like meadows. Unless there is a sudden, dramatic change in conditions, thousands of holiday-makers heading for the slopes this week are destined for disappointment.

The lack of snow has depressed package tour bookings and provoked a fall in skiwear and ski equipment sales in the UK, for example. "We have certainly cut back," said Britain's biggest tour operator, Thomson Holidays. "The lack of snow is discouraging the market."

According to the Ski Club of Great Britain, which has its own representatives in dozens of resorts throughout Europe, some resorts had not opened for ski business yet. In Courmayeur, Italy, there is hardly any skiable snow. The luxury resort of Crans-Montana, in Switzerland, also has problems.

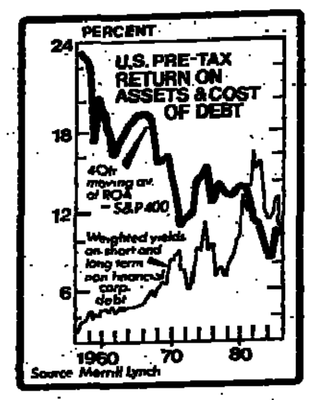
In Gstaad, there has been only one lift in operation in recent days and the weather has been so mild that skiers have been using the nearby Diablerets glacier.

Some resorts do have snow. Livignio, in Italy, and St Anton, in Austria, seem to have fared better than most.

THE LEX COLUMN

Paper chains for the new year

There could be a world in which aggressive takeovers and high-risk, high-coupon bond issues had nothing to do with each other. But in the view of the US Federal Reserve, in the real world the two subjects are closely enough linked; otherwise the Fed would scarcely have thought it worth while limiting the ease with which "junk" paper can be used to pick off slow-moving corporate targets. By requiring much more equity up front – roughly half the money, in fact – the Fed is likely to make the life of entrepreneurial raiders, and of Drexel Burnham Lambert, the high-yield bond experts, rather less enjoyable in the new year.



That is presumably not the prime intention behind the move. Although raiders are not popular in all quarters – not everybody believes in economic creation through corporate destruction – the first line of defence in the US against a T. Boone Pickens is takeover litigation; holding the balance between raiders, shareholders and managements is a job for the courts, more than the financial authorities. But their evident concern with the balance sheet strength of the company sector is thoroughly legitimate.

It is already quite some time since the return on assets in the S&P 400 companies ducked under the yield on corporate debt, and their once-luxurious interest cover has narrowed accordingly. In the mid-1960s, cash flow was not infrequently over 20 times the interest bill; nowadays, six or seven times is apt to be considered excessively conservative.

When a balance sheet is recontructed in a Ted Turner or Pantry Pride-style cash takeover – financed at the outset by the issue of very high yield bonds – interest cover is necessarily narrower still. That is because the post-operative state of such a takeover balance sheet is one in which almost all the equity has been replaced by debt; cash flow is then dedicated to servicing the coupon and paying down the debt.

The desired result is that the return on equity goes up sharply, partly through motivation of management, partly through sheer arithmetic. In a period when a less generous US corporate tax regime is likely to squeeze after-tax rates of return, this preference for debt is easy to understand: interest is substituted for tax and the net return on equity levered up. But if the business is not as fundamentally profitable as the entrepreneur believed, the cards may collapse.

If things go wrong, the fact that post-takeover assets are financed by bonds, not common stock, may have more unfortunate consequences for the financial system than would be the case for a pure stock market disaster. Thrift institutions, for example, chronically in need of high yields to service their own obligations, are ill-equipped to shoulder the equity risks which lenders are implicitly taking on in order to justify high coupons.

The defence against such worries is that the probability of loss from investing in unrated bonds can be shown, over a long period, to have been less than those occasioned by holding bonds which lost their rating. An investment held through a decently spread junk-fund has tended to produce more than enough extra coupon flows to compensate for the higher incidence of default; in a maturing and increasingly efficient junk-paper market, however, the excess returns should become harder to achieve.

Supposing that the bulk of the leveraged deals have indeed been well thought out, from the entrepreneurial standpoint it is much less clear that their multiplication over the next few years would be good for the US economy. Stock market ratings which leave assets at deep discounts may express no more than the hunger of capital markets for maximum short-term returns; at high-test interest rates the present value of long-term projects notoriously becomes "uneconomic." Old oil is unlocked by Mr Pickens, new oil left in the ground.

Meanwhile, the junk-leveraged entrepreneur has to set about managing cash flow to pay interest bills. That is good for many a business if it imports tight cash disciplines for the first time, but few would deny that it often means clamping down on capital replacement and so-called "discretionary" development spending.

Unless the initial takeover was a steal, much of the cash that reappears in a leveraged balance sheet one or two years down the road will be an accumulation of disposal profits and unspent depreciation flows. By allocating assets efficiently but exclusively to short-term uses, the market can easily allow people to mortgage the future and feel rich. It is much harder for everybody to stay ahead of this game indefinitely.

Stores

Tomorrow, the last day of Christmas shopping, British retailers should find in their tills a respectable, if not spectacular, take. Investors in the stores sector, though, have had a rather rougher seasonal ride. Since the FT All Share and the Stores indices peaked simultaneously a month ago, the Stores have dropped more than twice as far, by almost exactly 10 per cent. The retail sector had had such a good run – combining euphoria about consumer spending with speculation about bid activity – that any element of uncertainty was bound to force the hot money out. When lower oil prices pulled down sterling, making a cut in interest rates less likely, and reducing the Chancellor of the Exchequer's scope for tax cuts in the next budget, the retailers were exceptionally vulnerable.

On Friday, jobbers marked down stores shares on the annual rumour that Marks & Spencer was doing the same to its goods. Now some stocks are looking relatively cheap: Habitat shares have lost 10 per cent and Dixons nearly 5 per cent in the last two weeks.

The whole sector is no longer on the top-floor rating of a few months ago. On earnings for the current financial year (ending in January to March 1986), its multiple is 15 or 16. Analysts expect retail profits to grow by 20 per cent this year and next, with earnings growth rather higher.

So the sector can still argue for a premium to the rest of the market, where profits for the current year are likely to rise by only about 10 per cent. But whatever analysts are forecasting, they apparently cannot prevent fund managers from locking up their gains from the stores sector this year.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday December 23 1985

EURONOTES AND CREDITS

Banks prominent as Euro-commercial pace is maintained

THE EURO-COMMERCIAL paper does not stop for Christmas, writes **Peter Montagnon in London**

That was the message from last week as several more programmes were launched even though the flow of syndicated loans and note-issuance facilities almost dried up.

Banks figured prominently among the new deals, however, leading to some comments in the marketplace that the business reflected more an extension of the certificate-of-deposit market rather than genuine commercial paper business.

National Australia Bank launched the largest deal – a $500m programme arranged by itself and Swiss Bank Corporation International. Swiss Bank will be a dealer in the paper, alongside Shearson Lehman, Citicorp and Bank of America International.

Another deal came from Finland's Kansallis-Osake-Pankki, which announced a $300m Euro-commercial paper and certificate-of-deposit programme for which Morgan Guaranty, Shearson Lehman and the borrower's London branch will be dealers. Union Bank of Finland launched a $200m programme for which Merrill Lynch, Swiss Bank Corporation and the bank's London branch will act as dealers.

One non-bank borrower, however, was Nevi, Scandinavia's largest financial services company, which recently arranged a $65m credit and is now extending its borrowing activity to the securities market for the first time. Nevi launched a $100m Euro-commercial paper programme for which it has appointed four dealers: Morgan Stanley International, Banque Paribas Capital Markets, Credit Suisse First Boston and Enskilda Securities.

By contrast, the Eurocredit market was rather quiet, with borrowers reluctant to launch deals during the run-up to Christmas. Most bankers expect the new year to see a fairly active resumption of business, although by and large corporate rather than sovereign borrowers are expected to dominate the scene.

Still awaited is a mandate from the French railway, SNCF, which is seeking a sizable facility, but Bankers Trust has quietly arranged a $150m club credit on undisclosed terms for Crédit Populaire d'Algérie, a relatively rare borrower.

In the Far East, Korea Electric Power is seeking a $100m, eight-year credit divided into two tranches, one of which is tax-spared. The conventional tranche will bear a margin of ⅜ per cent over London interbank offered rate (Libor), while the margin on the tax-spared tranche which offers tax advantages to some lenders will be 5/16 per cent. Agent bank is KEB (Asia) Finance and repayments begin after a four-year period of grace.

The $300m note issuance facility for Enel, which met criticism from some bankers when it was launched by Citicorp because of its fine pricing, has been increased to $400m because of heavy oversubscription totalling about $570m. Also increased to $360m from $300m is the revolving issuance facility for Weyerhaeuser of the US.

In rescheduling developments, last week saw a rush of signings ahead of the year-end. Yugoslavia and Ecuador both signed multi-year reschedulings with commercial bank creditors covering $3.8bn and $5.2bn of debt respectively.

Bankers say that, as the new year gets under way, attention is likely to focus again on the larger debtors. Brazil is to resume discussions in January on a restructuring of debt falling due in 1985 and 1986; Mexico is expected soon to reach an agreement with the International Monetary Fund opening the door to talks with banks on net loans of $3.5bn in 1986.

INTERNATIONAL BONDS

World Bank breaks festive calm

BY MAGGIE URRY IN LONDON

THE WORLD BANK shattered any pre-Christmas calm in the international bond markets last week. The markets' biggest borrower contributed to a record year and is closing with a record deal, the first 30-year, fixed-rate Eurodollar bond.

This could be one of the significant issues of the year and serve as a benchmark for future deals. Market historians were scratching their heads last week to try to recollect a deal longer than Consolidated Food's 18-year issue launched in 1973. The World Bank deal also required lead manager Deutsche Bank Capital Markets to decide what commissions on the maturity should be – 2½ per cent was considered correct.

The issue got off to a good start in Japan on Thursday night and, with unexpected demand coming in from Europe, it was increased to $300m on Friday morning. It continued to trade within the 1½ per cent selling concession.

It was a clear success and opens the way for more issues with this maturity. Until now only the US bond market and the bulldog market in sterling have offered opportunities for borrowers to fix for such a long term. Many borrowers, however, are too nervous of criticism to lock themselves into an interest rate for such a period. Rates could go lower yet, and if they do the World Bank may well borrow more. But it is difficult to forecast that during 30 years there will not be times when this deal will look brilliant.

Eurobond investors are clearly prepared to buy long maturities, from the top-class borrowers at least, especially if, like the World Bank issue, they are non-callable for life.

The World Bank arranged another 30-year deal this month – through the Shearson Lehman Brothers synthetic issue, created from a 15-year Eurobond and a 30-year serial zero. Both gave a tight spread relative to US Treasury bonds, although the market has moved up so much lately that the second gave a lower all-in cost.

Since July this year the World Bank has borrowed about $6.8bn out of a borrowing programme originally planned at $9½bn. The average cost to the bank, after taking account of swaps, is around 7.14 per cent.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	6,588.8	75.3	6,301.6	194.0
Prev	3,365.5	4.3	584.5	537.5
Other	1,171.8	9.7	3,179.5	219.3
Prev	548.6	4.2	20.1	117.3
Secondary Market				
US$	18,362.4	1,503.3	13,598.5	2,822.9
Prev	16,992.0	1,373.2	14,403.8	2,289.7
Other	5,248.3	140.5	2,188.3	1,869.2
Prev	4,164.8	155.5	2,485.8	2,179.2

	Cedel	Euroclear	Total
US$	12,842.4	36,251.4	49,093.8
Prev	11,748.5	27,802.1	39,650.6
Other	6,086.6	7,940.0	14,026.6
Prev	5,525.8	4,149.8	9,675.6

Week to December 19 1985 — Source AIBD

The market's strength derives from the run in the New York bond market. Issues for Statoil and European Coal and Steel Community both traded well last week.

Similarly, the recovery in the domestic yen bond market has brought out a crop of Euroyen deals. Some of these have been slow moving, with many syndicate managers complaining that no price could be found in them. Best of the bunch was Credit Foncier's, where the quality of the borrower shone through.

The dual-currency issues in particular have had a difficult time, and the co-management group for Monsanto's issue, launched the week before last, was announced only on Friday. Even then, lead manager Bank of Tokyo International did not give a trading price for the bonds.

The Swiss franc foreign bond market is also ending the year on a firm note with prices up by ¼ to ½ on average, with a few star performers such as Hoogovens' 12-year 5¾ per cent issue gaining 1¼ points on the week. New issues met an encouraging response.

The Italy zero-coupon issue, which has not yet been listed on the Zurich Stock Exchange, is expected to start trading there shortly.

There was some good activity in the D-Mark Eurobond market last week, inspired also by the New York market's strength. Prices gained around ¾ point. The World Bank's zero-coupon issue has risen from 14¾ to 15½ on the week.

All-year-round gifts abound for borrowers

CHRISTMAS would not be Christmas without any presents, writes **our Euromarkets Staff.**

In the Euromarket, present-giving is by no means restricted to one time of the year. Signing presents abound when a borrower ties up a deal – and often the borrower ends up paying for them.

Borrowers are unlikely to be given gold, frankincense or myrrh, but suitable gifts, according to their lead managers, are clocks or silver trays with the co-managers' names engraved on them.

Pens as a gift for co-managers are now a bit of a cliche. One banker says: "When I die they will go through my estate and find nothing but pens." However, pens used for special deals, such as the UK floater, do have something of a cachet.

Umbrellas are going the way of pens, and there is now an active swap market in them. A co-manager long of one house's umbrellas says: "I swapped a Kidder Peabody for a Merrill Lynch."

While many bankers think that going to signings is rather less amusing than sandwiches at their desk, there is often more interest in attending ceremonies for deals done by Japanese consumer products companies. Co-managers can pick up a personal stereo or a calculator. But they are sometimes disappointed. One syndicate manager went to a signing for a Japanese photographic company hoping for a camera, but discovered they made tapes, too. He received a couple of blank cassettes.

More originality is needed in the choice of gifts. Points go to one Swiss bank, which gives co-managers Swiss army knives as presents, although there is the chance that they might tempt anyone who made a loss on the issue to use them for back-stabbing. Silver-plated letter openers are also considered desirable. But the danger is, as one co-manager discovered, that gifts consisting of sharp-looking metal, given at a signings held abroad, bring suspicion from customs men

A tie, often the solution to a present for a difficult uncle, is in the increasingly liberated banking world something of a risk, and the choice of colour and pattern is a problem.

● The Bond Aid appeal for the Save the Children Fund raised $550,000, with donations coming from a wide spread of banks, securities firms and legal practices. In all, 55 houses made donations, although many of the leading Eurobond market names did not contribute.

Denmark breaks silence on its swap-market techniques

THE KINGDOM of Denmark has become the latest international borrower to break silence on its activity in the swap market, writes **Peter Montagnon, Euromarkets Correspondent, in London.**

Figures made available by the Finance Ministry show that it arranged $2.69bn in swaps in the two years to November, achieving a discount on London interbank offered rate (Libor) of up to 57 basis points.

Most of the swaps were used to provide cheap floating-rate finance to help Denmark to repay early all its syndicated loans bearing interest at a margin of ½ per cent or more, according to Mr Niels Erik Sorensen, a senior ministry official.

A detailed list of the transactions shows a steady improvement in margins achieved with a $100m swap in December 1983 producing a cost of four basis points over Libor while the country's recent $100m zero-coupon issue was swapped into floating-rate funds at a cost of 57 basis points below Libor.

Within that trend, one or two exceptional deals stand out. For example, Denmark was able to arrange a lucrative swap producing a cost of 50 basis points below Libor as early as November 1983. That was made possible by a private placement of $50m at the then fine coupon of 11.9 per cent in Japan.

The $250m "minimax" floating-rate note issued in March this year produced a swap, the cost of which varies from 25 basis points over Libor to as much as 175 points below.

Mr Sorensen explained that, alongside the floater, Denmark entered into a swap deal providing it with a 12 per cent fixed-interest flow, in return for which it was expected to pay Libor.

When the minimum coupon of 10 per cent is in force on the floater, as now, that leaves a margin of 2 percentage points out of which Denmark still has to amortise fees, producing an all-in swapped cost of 175 basis points below Libor on the package.

That advantage disappears when the maximum coupon of 11⅞ per cent is in force on the floater. Then the all-in cost would be 25 basis points over Libor.

So far, low interest rates have made the deal particularly lucrative. Mr Sorensen says he has received offers from operators in the market to buy the swap for an up-front fee of as much as 8 per cent. That would allow Denmark to lock into a new swap producing a fixed cost of 80 basis points below Libor, a temptation Denmark has, however, so far resisted.

According to the Finance Ministry data, Denmark prepaid $4.45bn in Eurocredits between November 1983 and April this year. The borrowings were refinanced in the floating-rate-note market to the tune of $1.95bn as well as through swaps producing an average cost saving of 55 basis points a year.

Denmark's total foreign borrowing is expected to fall next year to DKr 68.8bn ($7.5bn) from DKr 91.7bn, including net private-sector capital imports of DKr 12bn and DKr 28bn respectively. The lower figure also reflects an expected fall to DKr 16bn from DKr 22bn in the country's current-account balance-of-payments deficit.

The figures also show that early repayments of debt have more or less run their course.

Mr Sorensen said, however, that the actual outcome might depend on market opportunity, especially since some of Denmark's floating-rate notes were starting to look expensive when set against the cost of swapped debt.

Despite its high DKr 230bn total foreign debt – approaching 40 per cent of gross national product – Denmark now had sufficient liquidity to stay away from the market for nine months if necessary, he said. It was in no hurry to borrow.

"We can permit ourselves to say to banks that if they make us an offer better than 50 basis points below Libor, then we may be interested."

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Fed restrained by fear of free-fall in dollar

LATE LAST Friday afternoon, as the snow began to fall on a Manhattan deep in the throes of Christmas shopping, a group of Wall Street traders lingered on on in the office, hunched over computer terminals and ticker tapes. They waited in vain. Once again, the Federal Reserve Board failed to cut the discount rate.

Forecasts of a move by the Fed had been building up all week, keeping bond dealers in a perpetual state of excitement. Long-term rates continued their 11-week decline from virtually the first bell on Monday, with *the yield on the Treasury long* bond falling convincingly through the 9.50 per cent mark for the first time in five years.

On Wednesday there was a momentary scare as the Federal Funds rate backed up to just over 8.60 per cent from around 7.90 per cent in the previous week, but the market soon shrugged off its doubts. By the end of the week, the 30-year government bond was down to 9.32 per cent, leaving yields in most sectors of the taxable market lower than any seen since October 1979.

The continuing rally was partly helped by leaks of the year-end forecast of Dr Henry Kaufman, the chief economist at Salomon Brothers. His views on an imminent ½ per cent discount rate cut had been pretty thoroughly aired by the time he stood up to deliver the forecast formally to a horde of admiresrs at what is now regarded as one of the set-piece events of the bond traders' year.

More pertinently (the Fed itself moved repeatedly through the week to provide resrves aggressively), it was the failure to inject funds on Wednesday that largely caused the flutter in the market. On Friday, the Fed's open market repurchases were so substantial that analysts generally thought they were more than the banking system needed. This kind of heavy intervention inevitably supported speculation that the Fed was pushing short rates down in order to be able to present a lowering of the discount rate as a response to market conditions.

Some analysts argue that it will not be easy for longer-term securities to hold their recent gains unless the Fed moves on the discount rate soon. "Probably the most powerful force in the December rally was the expectation that the Fed was going to lower the discount rate," says Mr David Jones, of Aubrey Lanston. "The longer the market has to wait for that, the more jittery it becomes."

Mr Jones contends that an important restraining factor on the Fed at the moment is its anxiety to avoid the sort of pronounced easing in monetary policy and rates that might lead to a free-fall in the dollar.

A related point is made by Mr Phillip Braverman of Briggs Schaedle, who says the Fed is afraid that a sharp decline in the dollar could trigger inflation and dampen foreign economic growth. The central *bank is likely to try and avoid* these dangers, he says, by attempting to move in a series of small steps towards lower rates.

"The dollar is already approaching foreign central bank tolerance limits, 190 on the yen and 2.40 on the Mark," he adds. "Thus there is likely to be an inter-related reduction in US, Japanese and German interest rates."

Underlying these questions of where the discount rate might be heading is the broader issue of the state of the economy. One group of analysts believes that the Fed, which held its policymaking Federal Open Market Committee (FOMC) *meeting last week, will want to* have a clearer statistical picture of growth prospects before acting. Last week's "flash" fourth quarter GNP figure was just about as neutral as it could be, failing to settle the argument either way.

At 3.2 per cent, the "flash" forecast came in halfway between the predictions of a strongish *growth rate of 4 per* cent and the less hopeful forecasts of an anaemic 2 per cent. Notoriously unreliable anyway, because it is struck before the end of the quarter, the "flash" left economists uncertain over whether the economy needed further stimulus or not, particularly since the growth-rate in M1, the basic money measure, *stands well above the Fed's* targets.

Wall Street economists continue to hold strongly different views on the pace of growth at present. Last week, for instance, Mr Albert Wojnilower, chief economist at First Boston, told his firm's clients that the economy "seemed likely" to expand at an inflation adjusted 3 per cent to 4 per cent next year. Mr Gary Shilling, an economic consultant, was taking a contrary view. "I think the economy is running out of steam, and the risk is that it will slide into recession," he said.

Dr Kaufman contends that "the scanty amount of available information should encourage the authorities in their inclination to err on the side of ease," adding that economic figures other than the flash "generally portray weaker final demand."

Meanwhile, corporate treasurers saw the continued fall in longer-term rates last week as an opportunity to lock in cheaper financing than they have had for a long time. On Tuesday alone, InterNorth issued $200m of seven-year notes at 9⅜ per cent, while Baxter Travenol offered $150m of three-year extendible notes priced to yield 8.97 per cent, and Atlantic Richfield $150m worth of 10-year notes priced to yield 9.547 per cent. During the week, J. C. Penney also issued *$100m of 10-year* notes yielding 9.788 per cent, while Household Finance offered $100m of five-year senior notes at 9 per cent and priced at par.

Terry Dodsworth

US MONEY MARKET RATES (%)

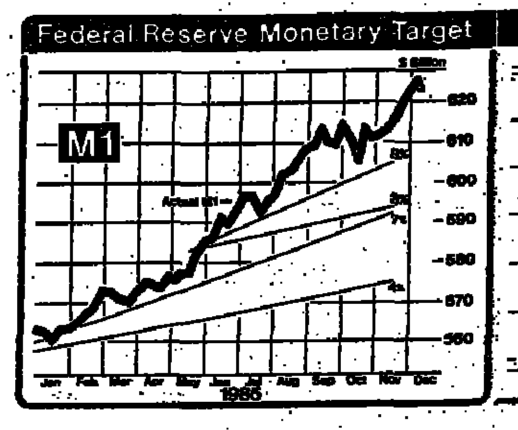
	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	8.20	7.93	7.66	8.77	7.10
Three-month Treasury bills	7.07	6.98	7.22	8.75	6.67
Six-month Treasury bills	7.06	6.97	7.29	9.20	6.81
Three-month prime CDs	7.75	7.70	7.90	9.40	7.33
30-day Commercial Paper	7.80	7.76	7.75	8.96	6.95
90-day Commercial Paper	7.63	7.80	7.70	9.20	7.00

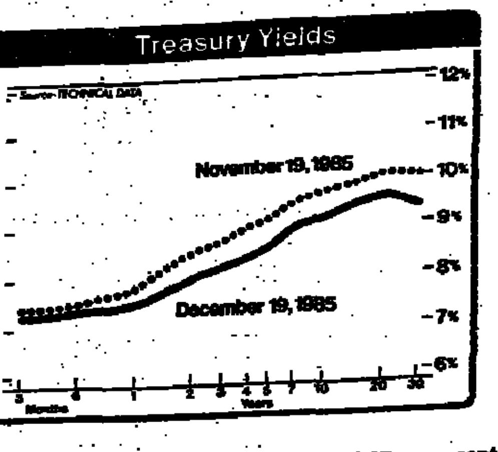
US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	104¼	+¾	8.90	9.04	9.53
20-year Treasury	110½	+1½	9.55	9.71	10.18
30-year Treasury	105½	+2½	9.32	9.53	10.01
New 10-year "A" Financial	N/A	+¾	9.88	10.00	10.40
New "AA" Long utility	N/A	+2¼	10.38	10.63	11.10
New "AA" Long industrial	N/A	+3¼	10.25	10.60	11.00

Source: Salomon Bros (estimates).

Money Supply: In the week ended December 9 M1 fell by $3.2bn to $623.0bn.





UK GILTS

Hopes rely on multilateral interest rate cuts

THE POUND'S abrupt fall from grace earlier this month cast a lengthy and sombre shadow over the gilt-edged market. Not only were lingering hopes of a Christmas present from the Chancellor of the Exchequer in the form of a cut in base rates wholly quashed, but—recollecting what had happened when the pound tumbled in both July 1984 and January 1985—the alarming possibility was raised that the next move in base rates might have to be upwards.

Contemplation of this sent the gilt-edged market into a tailspin at the very time when the US bond market was beginning to power ahead for a record-breaking run.

During the autumn the pound had been looking good, riding high on the back of high short-term rates and buoyant levels for spot oil prices. Three weeks ago, as the dollar fell, the pound looked it full in the face at $1.50 while at the same time holding its own against the other major currencies.

Then, all of a sudden, the tables turned on sterling. Spot oil prices saw their sharpest ever collapse in the wake of the Opec meeting, a development which was generally unanticipated. At the same time the dollar bounced, helping to accentuate the sell-off of sterling. Within the space of 3½ days the pound had plummeted by a trade-weighted 4 per cent.

Fortunately, oil prices then stabilised. In addition, the government played its cards well. In previous currency crises it had held back, hoping that the downward pressure would prove temporary and could be ridden out. And when *it was compelled to act it was* a case of too little, too late.

This time is was plain that the hard lesson had been learned. No "benign neglect" now. Instead, the Bank of England made its presence known in the currency markets. And Mrs Thatcher played her part too, strenuously seeking to allay any incipient fears in the markets that the government was preparing to cut corners in either its fiscal or monetary policy.

Instead, she asserted, government policy would remain on the straight and narrow, devoted to conquering inflation. All this was sufficient to surmount the crisis. And the risk that an oil-induced depreciation would be transformed into a fully-fledged run on the pound was headed off.

So far, so good. But the oil outlook is hardly secure, and there is a high risk that it will shortly see another sharp *deterioration, taking prices to* $20 or below. In these circumstances the pound would undergo another sell-off and the spectre of higher interest rates would re-emerge to haunt the gilt-edged market.

With luck, the government will be able to surmount any renewed pressure, and avoid recourse to higher interest rates. It may, however, prove a very close-run thing. In this respect the government must be hoping that, like the US cavalry, the Fed will shortly ride to the rescue with a discount rate cut. Already the gap between UK short-term rates and those in the US is pretty wide: any further widening would be very welcome.

Unilateral action by the Fed looks unlikely, for the policy makers there are especially exercised by the risk of a dollar collapse. This concern, however, would not rule out a co-ordinated reduction by the US and Japan and, quite possibly, West Germany. This is beginning to look a possibility, and it is on such a development that government hopes — and those of the gilt-edged market — should rely.

Ian Harwood
Rowe & Pitman

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	100	108½	+1	10.12
AIDC 11 89	75	105¾	+1¼	8.79
AIDC 11⅞ 90	100	107¼	0	11.41
Amer Savings 12 89	125	104¾	−0¼	10.32
Amer Savings 12¼ 89	100	105	−0⅛	10.38
Asian Dev Bk 11⅛ 93	100	109	+0¼	10.04
Australia 11¼ 90	100	109⅝	+0½	8.71
Australia 11½ 95	300	112	+1¼	9.55
Australia 11½ 98	100	114	+0⅞	9.86
Austria 15½ 88	75	117⅞	−0⅛	9.31
Avco Fin 13¾ 91	100	107⅝	−0⅛	11.39
Bk Nova Scotia 13⅞ 87	100	106¼	0	8.98
Bank of Tokyo 12½ 92	100	109½	+2½	10.20
Bank of Tokyo 13¾ 91	100	117	+0⅛	9.49
Bank of Tokyo 13⅞ 89	100	114⅛	+0¼	9.22
Bergen Bank 11½ 90	75	102⅛	0	10.67
BP Capital 11¼ 92	150	106⅝	+0⅛	9.60
Br Col Hydro 11¾ 93	200	111½	+0⅛	9.58
Br Col Hydro 12½ 14	200	116⅝	+1⅛	10.90
Br Col Hydro 12½ 13	250	117⅛	+1	10.83
Britoil Fin 11⅞ 90	125	111½	+1⅛	9.78
Caisse Nat En 11⅛ 95	125	106⅛	+0¼	10.15
Canada 10⅞ 88	600	105⅞	+0¼	8.45
Casio Computer 5⅞ 89	80	144¾	0	−6.08
CBS Inc 11¾ 92	100	103¼	+0½	10.69
Centrust S & L 0 10	1bn	7¾	−0⅛	11.17
Chesebrough 12 93	100	103⅞	−0⅛	11.17
Chrysler Fin 13¾ 89	150	108⅝	−1	11.64
Citicorp O/S 10⅜ 90	100	102¼	+0⅛	9.72
Citicorp O/S 11⅜ 90	100	104½	+0¼	10.48
Citicorp 11⅜ 92	100	106	+0⅛	10.326
Citicorp 11⅜ 97	200	105	−0¼	10.94
Citicorp O/S 14 94	100	102¾	+0⅛	13.40
CNCA 11½ 92	125	107⅝	+0⅛	9.79
CNCA 13¾ 91	100	114¾	+0¼	9.61
Coastfed Int 12¾ 88	125	104⅝	−0¼	9.82
Coco-Cola 11¼ 88	100	107	+0⅛	8.57
Comp Bancaire 13⅞ 90	75	113½	+0⅛	9.83
Comsat Int 12⅝ 91	100	104½	0	11.06
Creditanstalt 13¾ 91	100	113	+0⅛	9.87
Daiichi Kangyo 12¾ 90	100	110¼	+0⅛	9.48
Denmark 10⅞ 90	100	102¼	0	10.17
Denmark 11½ 92	100	108⅛	+0⅛	9.69
Denmark 12⅞ 92	250	102	+0⅛	12.24
Denmark 13 92	100	104⅛	+0⅛	11.99
Denmark 13¾ 91	100	114	−0⅛	9.92
Denmark 13⅞ 88	100	111	−1½	8.96
Denmark 14 91	100	111⅞	+0⅛	11.11
Digital Equip 11⅜ 89	150	106⅝	+0⅛	9.21
Dutch St Mines 11¾ 91	150	105½	+0⅛	9.95
Eksportfinans 11¾ 92	100	107⅜	+0⅞	9.56
Eksportfinans 11½ 90	100	106⅞	+0⅛	9.65
Elec de France 11¼ 93	100	108⅛	+1	9.49
Elec de France 12⅝ 87	150	105¼	−0⅛	8.82
EEC 11 87	350	103¼	+0⅛	8.53
EEC 11⅜ 90	100	107	+0⅛	9.00
EEC 12 93	100	112⅛	+0⅞	9.65
Elf-Aquitaine 10⅜ 89	100	103¼	+0⅛	9.50
Ericsson L M 10⅜ 88	100	101¼	0	9.73
Euro Inv Bk 11½ 90	200	109¼	+0⅞	9.05
Euro Inv Bk 11⅝ 91	73	106	−0⅛	10.05
Euro Inv Bk 12½ 90	100	111⅛	+0⅛	9.07
EDC 9⅞ 88	200	102⅛	0	8.76
EDC 10 88	125	102⅞	+0⅛	8.50
EDC 10⅜ 88	100	104⅛	+0⅛	8.48
EDC 11⅜ 89	150	106⅝	+0⅛	8.79
EDC 12 89	100	109⅛	+0⅛	9.00
EDC 13⅛ 87	100	107½	+0⅛	8.47
Fed Dept Store 11 90	100	105⅝	+0⅛	9.20
Finland 11½ 88	100	105⅛	+0¼	8.69
Finland 12⅜ 94	75	112⅛	+0⅛	10.03
Finnish Export 12⅜ 87	75	106⅞	+0⅛	8.56
Firstfed Mich 1 13¾ 89	125	107½	−0½	10.56
Florida Fed 12⅝ 89	100	104⅝	−1	10.63
FNMA 11½ 91	300	106¼	+0⅛	10.05
Gen Elec Cred 0 96	600	38⅝	−0⅛	9.43
Gen Elec Cred 9⅜ 91	100	102⅝	+0⅛	9.08
Gen Elec Cred 10⅜ 90	200	103¼	+0½	9.93
Gen Elec Cred 11 91	200	105⅛	+0⅛	9.61
Gen Elec Cred 11⅛ 87	200	104⅜	+0⅛	10.83
Gen Elec Cred 12 94	200	108⅛	0	10.50
Gen Foods Cap 11½ 90	75	104¼	−0⅛	10.06
General Mills 12 91	100	106⅞	+0⅛	10.40
GMAC 10 88	200	102⅞	+0½	8.48
Gen Motors Acc 10⅜ 90	200	103¾	+0½	9.35
Gen Motors Acc 11⅜ 90	100	105⅝	+0⅛	9.79
Gen Motors Acc 13 86	200	103½	−0⅛	5.89
GTE Finance 12 96	75	102⅛	−0⅛	11.57
Gulf Oil 10⅜ 94	100	99⅛	−1⅛	10.40
GZB 14 91	100	115	−0½	10.27
Holl Air Fin 12⅜ 91	100	104⅞	−0⅛	10.97
Household Fin 11⅝ 92	100	104⅝	−0⅞	10.52
IBM 9⅝ 88	200	102½	+0½	9.29
IBM (WTC) 10⅜ 89	300	104	+0⅛	9.83
IBM Credit 11 89	100	104⅜	+0⅛	9.49
IBM Credit 13⅞ 87	100	103	0	12.64
IBM 12⅜ 92	200	112	+0¼	9.73
Ind Bk Japan 10⅜ 92	100	103¾	+0¼	9.89
Ind Bk Japan 10⅞ 95	100	104	+0¼	10.17
Ind Bk Japan 11½ 89	125	106⅝	+0⅛	9.08
Ind Bk Japan 11⅞ 91	100	110⅜	+0⅞	9.40
Ind Bk Japan 13⅞ 91	125	115⅜	+0⅞	10.02
Int-Amer Dev 12⅜ 91	150	113⅛	+0⅞	9.80
Int-Amer Dev 11⅝ 94	200	109⅛	−0⅛	10.20
Int Paper 12 91	75	105⅛	0	10.68
Int Stand Elec 0 97	112	30	+0⅞	11.31
Int Stand Elec 12 96	70	103¾	−0⅛	11.12
ITT 11½ 89	125	105⅜	−0⅛	9.71
ITT Fin 12⅜ 94	100	109⅛	+0⅛	10.68
Japan Airlines 12½ 94	70	111⅞	+0½	10.30
Japan Dev Bk 11⅞ 91	100	107⅝	0	10.17
Kellogg Co 10⅞ 90	100	104⅜	+0½	8.41
Kellogg Co 11¼ 92	100	106⅝	+0½	9.90
Kimberley-Clark 12 94	100	111⅝	+0⅛	9.97
Kyowa Fin HK 12⅞ 90	100	112⅛	+0¼	9.35
Long Term Cred 10⅜ 90	100	105	+0½	9.29
Long Term Cred 11 90	100	105⅛	+0⅛	9.41
Long Term Cred 11⅞ 88	100	107½	+0¼	8.09
Long Term Cred 12 90	75	107⅛	0	9.64
Long Term Cred 12 93	100	112½	+0⅛	9.87
Macy R H 11⅛ 91	100	102½	0	11.07
Macy R H 11⅝ 95	100	101⅛	+0¼	11.44
Marubeni 11⅜ 91	100	103½	−0⅛	10.56
McDonalds Fin 11⅜ 94	75	106⅛	+0½	10.34
Merrill Lynch 12⅛ 94	100	103¼	0	11.89
Minebea 6⅛ 89	100	148½	−0⅞	−6.85
Mitsubishi 5⅜ 88	100	127	0	−2.97
Mitsubishi Cp 10½ 92	100	102⅞	−0⅛	9.98
Mitsubishi Cp 10⅜ 95	200	100½	−2⅛	10.83
Mitsubishi Cp 12½ 91	100	13⅛	+0⅛	9.21
Mitsui Eng 7⅜ 88	50	105⅞	−4⅞	5.12
Mitsui Fin 12⅜ 92	100	101⅞	0	11.87
Mitsui Tst Fin 12 91	100	110¼	+0½	9.38
Mobil Corp 10⅜ 90	200	101½	−0⅛	9.78
Montreal City 12½ 91	70	108⅛	+0½	10.14
Mgn Guaranty 12⅜ 89	150	108⅛	+0¼	9.23
Morgan J P 11⅛ 92	100	106⅜	+0⅛	9.84
Mount Isa Fin 13⅜ 87	100	106⅛	+0⅛	9.20
Ned Gasunie 11⅛ 90	75	105⅜	+0⅛	9.69
Ned Gasunie 11⅜ 91	75	107	+0⅛	9.47
N Eng Lf Mtg 11⅜ 95	149	109¼	+1	10.14
Newfoundland 13 91	70	109⅞	−0¼	10.45
Nippon Crd Bk 13⅞ 89	100	113⅛	+0⅛	9.32
Nippon Tel Tel 11⅝ 90	100	109	+0¼	8.66
Nippon Tel Tel 13⅛ 94	150	113	0	10.54
Nissho-Iwai 6½ 89	70	111½	+5⅞	2.63
Nomura 6⅞ 88	100	165½	+1¼	−11.68
Nova Scotia 11¼ 91	100	106⅞	+0½	9.95
Nova Scotia 11⅜ 98	100	108½	+0⅞	10.37
Oester Post 12⅜ 89	75	109	+0¼	9.30
Ohbayashi-Gumi 7⅜ 89	50	153½	−1½	−6.28
Ontario Hydro 11⅛ 94	200	111⅛	+0⅛	9.88
Ontario Hydro 11⅜ 90	200	109⅞	+0⅛	9.08
Ontario 12½ 94	250	115⅝	+0½	9.94
Pacific Gas & El 12 00	75	107⅛	+0⅞	10.96
Penney J C 11⅞ 90	100	104⅞	0	10.51
Penney J C 12⅜ 91	100	109⅛	+0½	10.42
Phillips Petrol 14 89	200	102⅜	−0½	12.91
Postipankki 11⅛ 90	75	104⅛	+0½	9.86
Post-Och Kred 13½ 87	50	106½	+0¼	8.90
Privatbanken 12⅜ 95	100	99	0	12.93
Prudential Ins 12⅜ 87	150	106⅛	+0⅛	8.61
Pru Rlty Secs 0 98	365	29⅛	+0⅛	9.86
Pru Rlty Secs 11⅞ 92	386	106⅜	+0⅛	9.76
Pru Rlty Secs 12⅜ 95	546	111	+0⅛	10.09
Quebec Prov 12⅜ 94	150	109½	−0⅞	10.31
Queensland Gvt 11⅜ 89	100	107⅜	+0½	9.09
RBC 12⅜ 86	100	102	0	−14.14
Rural Bk Aust 12 91	50	106½	+0⅛	10.54
Sanwa Bank 11⅞ 92	150	109	+0⅛	9.55
Saskatchewan 10⅜ 92	100	106¼	+0⅛	9.36
Saskatchewan 10⅜ 90	125	106⅜	+0¼	8.88
Saskatchewan 11⅞ 89	100	109	+0⅛	9.02
Saskatchewan 15 92	150	123⅝	+1⅛	9.92
Saskatchewan 16 89	125	118⅜	+0½	9.01
Scot Intl Fin 14⅛ 86	50	113½	0	11.90
Sears O/S Fin 0 98	800	29⅞	+0⅛	10.10
Sears Roebuck 10⅜ 91	150	104¼	+0⅞	9.43
Sears Roebuck 11⅜ 91	150	108⅛	+0⅛	9.41
Sec Pacific 12 92	100	109¾	+0½	9.81
Shearson/Amex 12⅛ 94	100	108¼	−1⅛	10.91
Shell (Canada) 14⅜ 92	125	115	+0½	10.95
Signal Comps 11¾ 92	125	107	+1	10.16
Standard Oil 10½ 89	150	102½	+0⅛	9.51
Statoil 12 88	100	107	+0¼	8.49
Sumitomo Corp 10⅜ 92	100	101⅛	+0⅞	10.29
Sumitomo Fin 11⅜ 92	150	109	+0¼	9.74
Sumitomo Fin 12⅜ 91	150	112¼	+0⅛	9.63
Sumitomo Trust 12½ 92	100	110¾	+1⅛	10.16
Sweden 11½ 89	200	108⅛	+0⅛	8.98
Sweden 12⅜ 89	200	109⅛	+0⅛	8.97
Swedish Export 10⅜ 88	100	103⅞	+0⅛	10.02
Swedish Export 11½ 89	100	106⅜	+0⅛	8.90
Swedish Export 12⅜ 89	100	0		
Taiyo Kobe 11⅞ 90	100	109⅛	+0½	9.17
Taiyo Kobe 12 90	100	108⅛	+0¼	9.70
Tenneco Corp 11½ 89	150	105⅛	+0½	9.25
Texaco Capital 10⅜ 90	200	91⅛	−2⅛	12.89
Texaco Capital 10½ 93	200	92½	−3⅛	12.01
Texaco Capital 13½ 89	200	102⅛	+0⅛	12.48
Texas Instru 11⅞ 91	150	105⅛	+0½	10.52
Tokai Asia 12⅜ 91	100	112⅛	+0⅛	9.16
Tokyo Electric 6½ 88	70	111	0	2.90
Tokyo Elec Pr 13⅜ 89	100	111	−0⅛	9.58
Toray Inds 11⅜ 92	50	103	−0½	10.42
Toronto-Dom 12⅜ 89	50	107½	+0¼	9.84
UBS 12⅜ 91	100	106⅛	+0⅛	10.61
Utd Tech 11⅛ 92	150	107	+0⅞	9.66
Veba 8 93	70	192⅜	+4⅞	−2.40
West LB 11⅞ 90	100	107¼	+1⅛	9.83
Westpac 12⅜ 92	41	110¼	+0⅛	10.28
Weyerhaeuser 11½ 90	60	104⅛	+0½	10.30
World Bank 11 92	300	107⅞	+1⅞	9.25
World Bank 11⅛ 90	200	108⅛	+0⅛	9.02
World Bank 11⅜ 89	200	108⅛	+0⅛	8.78
World Bank 12 93	200	113⅞	+0⅛	9.50
World Bank 12⅜ 94	150	114⅜	+0⅛	9.76
World Bank 12⅞ 94	200	117⅛	+1	9.84
Yasuda Trust 12⅜ 89	100	108⅛	+0⅛	9.32

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
African Dev Bk ⅛ 98	100	100⅛	0	8⅜
Arab Bank Corp ¼ 96	100	99⅛	0	8 11/16
Banca Lavoro ¼ 91	100	100⅛	0	8 7/16
Banco di Roma 1/16 89	150	100	0	8 5/16
Bnco di Roma 1/16 92 CU	75	99½	−0⅛	10 5/16
Bankers Tr NY ⅛ 94	200	100⅛	−0⅛	8 5/16
Bank of Greece ⅜ 94	150	98⅛	/	8⅜
Bank Montreal ⅛ 94 £	100	100⅛	0	11⅜
Bqe Nat Paris ⅛ 88	400	101	0	8⅜
Bqe Nat Paris ⅛ 96	250	100	0	8⅛
Barclays O/S ⅛†	600	100⅛	−0⅛	8⅜
BBL ⅛ 95	100	100⅛	0	8⅛
BBL ⅛ 98	100	100⅛	0	8 7/16
BCI ⅛ 96	300	100⅛	0	9⅞
BFCE ⅛ 88	500	100	0	8⅛
BFCE ⅛ 99	600	100⅛	0	8⅛
Belgium 1/16 04	400	100⅛	+0⅛	8⅛
CCCE ⅛ 05	200	100⅛	0	8⅛
CEPME ⅛ 96 £	100	100⅛	0	11 7/16
Chase Manhattan ⅛ 09	400	100	0	8⅜
Chemical NY 1/16 99	300	100½	+0⅛	8⅛
Citicorp O/S ⅛ 91 £	100	99⅛	0	11 7/16
Citicorp Psn Psn ⅛ 97	250	100	0	8⅛
Commerzbank ⅛ 89	150	100⅛	0	8⅛
Creditanstalt 1/16 98	150	100⅛	0	8⅛
Credit Comm ⅛ 95	100	100⅛	0	8½
Credit Foncier ⅛ 00 £	100	100⅛	0	11⅜
Credit Lyonnais ⅛ 96	300	100⅛	+0⅛	8⅛
Credit Lyonnais ⅛ 99	250	100⅛	0	8⅛
Credit National ⅛ 95 £	100	100⅛	−0⅛	11 11/16
Dai-Ichi Kangyo ⅛ 96	150	100⅛	0	8⅛
Denmark ⅛ 90	250	100	0	8 5/16
Denmark 0 99	200	100	0	8¼
Denmark 1/16 90	500	100⅛	0	8 5/16
Dresdner Bank 0 89	350	100	0	8 5/16
Eldorado Nuke 0 89	100	100⅛	0	8⅛
Elec de France ⅛ 99	400	101	0	8 5/16
ENEL ⅛ 93 £	100	100½	0	11½
Exterior Int ⅛ 96	125	99⅛	0	7⅞
Ferro del Stat ⅛ 88	100	100⅛	0	9½
Ferro del Stat ⅛ 99	250	100	0	8 5/16
Fiat Finance ⅛ 94	100	100⅛	0	8⅛
First Chicago ⅛ 94	100	99⅛	0	8 5/16
First Chicago 1/16 97	150	99⅛	+0⅛	8 5/16
Ford Motor Cr ⅛ 91	200	99⅞	0	8 5/16
GW O/S Fin ⅛ 94	100	99⅛	0	8⅛
Grindlays ⅛ 94	100	100⅛	0	8⅛
INI 1/16 00	150	100⅛	0	8 5/16
Interfirst Tex ⅛ 89	100	98⅛	−0⅛	8 5/16
Ireland ⅛ 93 £	50	100½	0	11⅛
Ireland 1/16 94	300	100⅛	0	8 5/16
Ireland ⅛ 96 £	100	100⅛	0	11 13/16
Ireland ⅛ 97	300	100⅛	0	8 7/16
Ireland 1/16 99	300	100⅛	0	8 13/16
Italy ⅛ 94	1bn	100⅛	+0⅛	8 5/16
Italy ⅛ 99	500	100⅛	0	8⅛
Kleinwort Benson ⅛ 96	100	100⅛	0	8⅛
Korea Exch Bk ⅛ 94 £	100	98⅛	0	11 5/16
Lincoln S & L ⅛ 99	100	99⅛	+0⅛	8 5/16
Malaysia ⅛ 93	850	100	0	8½
Malaysia ⅛ 94	600	99⅛	0	7 13/16
Man Hanover ⅛ 94 £	75	98⅛	0	11 11/16
Marine Midland ⅛ 94	125	100	0	8 7/16
Marine Midland ⅛ 96	125	99⅞	0	8 5/16
Marine Midland 1/16 09	150	100	0	8
Mellon Bank ⅛ 96	250	100	0	8 5/16
Midland Intl ⅛ 99	200	100⅛	0	8 7/16
Mitsui Fin ⅛ 96	100	100⅛	0	8 5/16
Morgan Grenfell ⅛ 94	50	99⅛	0	8 5/16
Mtg Bk Denmrk ⅛ 99 £	75	100⅛	0	11 11/16
Mtg Intermed ⅛ 10 £	50	100	0	12
Nat Bank Canada ⅛ 91	50	100⅛	0	8⅛
Nat Bank Detr ⅛ 96	100	99⅛	0	8⅛
Nat West Fin ⅛†	500	100⅛	0	8 5/16
Neste Oy ⅛ 94	100	100	0	8 5/16
New Zealand ⅛ 87	350	100⅛	0	8½
NZ Steel Corp ⅛ 92	300	100⅛	0	8½
Oster Ln Bank ⅛ 99	100	100⅛	0	8 7/16
Oko Bank ⅛ 92	50	100½	+0½	8 13/16
Portugal ⅛ 92	100	100	0	8⅛
Queensland Coal ⅛ 96	356	100⅛	−0⅛	8 5/16
Renfe ⅛ 91	100	100	−0⅛	8 7/16
Sanwa Intl Fin ⅛ 92	150	100	0	8 5/16
Sanwa Bk ⅛ 04	150	100⅛	−0⅛	8 5/16
SEAT ⅛ 93	100	100⅛	0	8 5/16
Security Pac 1/16 97	250	99⅛	0	8 5/16
Skopbank ⅛ 94	75	99⅛	0	8⅛
SNCF ⅛ 93 £	75	100⅛	0	11⅞
Soc Generale ⅛ 90	250	100⅛	+0⅛	8½
Soc Generale ⅛ 94	250	100⅛	0	8 11/16
Spain ⅛ 88	200	100⅛	0	8⅛
Spain ⅛ 97	250	100⅛	0	8⅞
Standard Chart ⅛ 94	200	100⅛	0	8½
Sumitomo Trust ⅛ 94	100	100⅛	0	8 7/16
Sweden ⅛ 99	500	99½	0	8 5/16
Sweden 0 90	700	99⅛	+0⅛	7 11/16
Sweden ⅛ 24	500	101⅛	0	8⅞
Sweden ⅛†	750	100½	+0⅛	8 5/16
Tokai Asia ⅛ 99	150	100⅛	−0⅛	8 5/16
Toyo Trust Asia ⅛ 99	100	99⅞	−0⅛	8 5/16
TVO Power ⅛ 04	100	98½	0	8 5/16
Union Bank-Norw ⅛ 99	50	99	0	8 7/16
United Kingdom 0 92	2.5bn	99⅛	0	8 5/16
Wells Fargo 1/16 96	80	99⅛	−0⅛	8⅛
World Bank 11/32 94	250	99⅛	0	7 11/16
Yorkshire Int ⅛ 94 £	75	100⅛	0	11⅛

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	127⅛	−0⅛	
Best Denki 5⅞ 97	15	201	+22	3.01
Canon 7 97	50	227	−7⅛	−4.04
Daiwa Secs 5½ 98	60	213	−7	−1.99
Dev Bank Sing 5½ 98	70	76	+4	33.89
Elders 11½ 94	168	106⅛	+3⅛	15.11
Elektrowatt 6 98	52	121⅞	−7½	−5.54
Fujitsu 3 99	180	102½	−8	0.37
Intec Inc 3 99	50	100	−4	−7.67
Kumagi Gumi 3½ 00	80	180	+3½	−1+48
LASMO 9⅛ 99	44	96	−9⅞	24.29
Moet-Hennessy 7 99	50	750	+70⅞	0.56
Murata Mfg 3½ 00	100	124	−7	−5.59
Nippon Oil 3⅛ 99	50	92½	−6⅛	2.79
Ono Pharm 3⅛ 98	60	103	+4	−0.42
Soc Gen Surv 4½ 94	51	140½	−2½	107.90
Sumitomo Corp 2⅞ 99	70	139½	−0⅛	1.68
Texaco Capital 11⅞ 94	1bn	99⅛	+2⅛	68.95
Texaco Capital 11⅜ 94	500	99⅛	+1	
Tsugami Corp 3⅛ 00	20	88	−6	−3.06
Yamaichi Sec 3⅛ 95	20	166	−3	−2.64

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7⅛ 94	15	104⅛	+1⅛	6.62
Avon Products 6⅛ 91	25	100⅛	+0⅛	6.72
Denmark 6⅛ 92	20	100⅛	+0⅛	6.72
Dow Chemical 7 94	50	103¼	+0½	6.53
EDF 6⅞ 95	20	102⅛	+0½	6.54
Eurofima 7⅛ 94	10	103½	+0⅛	5.80
Eurofima 6⅞ 92	10	100⅛	+0⅛	6.57
FNMA 6⅞ 92	50	100½	+0⅛	6.77
GMAC 6½ 90	25	101⅛	+0⅞	6.00
Intel 6⅛ 92	13	99⅛	+1⅛	6.80
Int-Amer Dev 7⅛ 94	15	103½	0	6.97
Int-Amer Dev 7⅞ 93	15	103⅛	+0½	7.26
ITT 6⅛ 92	20	101⅛	+0⅛	6.39
McDonald Corp 6½ 92	25	102⅛	+0⅛	6.04
New Zealand 7⅛ 90	15	102⅛	+0⅛	6.45
New Zealand 7⅛ 89	15	104⅛	+0⅛	6.34
Pacific Gas & El 7 94	20	103⅛	+0⅛	6.47
Penny J C 6⅛ 92	28	100⅛	+0⅛	6.67
Procter 6⅛ 92	25	102⅛	+0½	6.07
Sallie Mae 6⅛ 92	25	99⅛	+0⅛	6.75
TRW 7 94	15	101⅛	+0⅛	6.75
Utd Technology 6⅛ 92	25	101⅛	+0⅛	6.34
World Bank 7 94	20	102⅛	+0⅛	6.63
World Bank 7⅛ 93	20	105⅛	+0⅛	6.69
World Bank 8 93	20	107	+0⅛	6.73

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
ASEA 9⅛ 89	600	102⅛	0	8.94
Eurofima 10 94	600	109½	−0⅛	9.23
E Coal & Steel 10⅛ 94	1bn	106⅛	+0⅛	9.12
Euro Invest Bk 10⅛ 94	1bn	106⅛	+0⅛	9.34
World Bank 10⅛ 89	1bn	104	0	8.83

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	106¼	+0⅛	5.72
ABN 7⅛ 89	150	105⅛	+0⅛	6.03
Amro Bk 7⅛ 89	150	102⅞	+0⅛	6.40
Amro Bk 8 89	200	104⅞	−0½	6.53
Bk Mees & Hope 8⅛ 89	100	108⅛	+0⅛	5.98
Beatrice Foods 8⅛ 89	100	104½	−0⅛	6.81
C C Rabo 8 89	150	105⅛	+0⅛	6.18
Denmark 8½ 91	100	108⅛	−0⅛	6.59
Int Stand Elec 8⅞ 89	100	105⅛	−0⅛	6.41
New Zealand 8⅛ 89	100	105⅞	+0⅛	6.34

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12⅛ 91	50	108⅜	+1⅛	10.23
Aust Resources 11⅜ 92	50	106	+0⅛	10.25
Bank of Tokyo 10⅞ 92	75	102⅛	0	10.26
Bqe l'Indosuez 14 91	75	111½	−0⅛	11.09
Br Col Munic 12⅜ 91	100	109	−0⅛	10.15
Br Col Munic 13½ 91	100	112⅞	+0⅛	10.41
Br Col Tele 12⅜ 89	70	105	+0⅛	11.48
Denmark 11⅜ 91	100	104	−0⅛	10.56
Farm Cred Corp 12⅜ 90	75	107	−0⅛	10.29
Kredietbank 12 92	75	104⅛	+0⅛	10.98
Long Term Cred 11⅜ 90	75	104⅞	0	10.21
Montreal City 12⅜ 91	50	107	0	10.45
New Brunswick 12 95	75	108⅞	+0⅛	10.43
Nova Scotia 11⅞ 95	100	105⅞	+0⅛	10.49
Quebec Hydro 14 91	75	108½	0	11.78

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	102⅞	0	8.92
Australia & NZ 10⅛ 91	50	103⅞	−0½	[illegible]
Austria 10⅛ 93	100	106⅞	−0⅛	9.37
BFCE 9⅛ 92	75	103½	+0⅛	8.97
Cred National 10⅛ 94	50	106	−0⅛	9.36
Cred National 11½ 91	50	106½	−2⅛	9.70
Denmark 10⅛ 91	75	108½	−0⅛	9.11
Ebco Intnl 10⅞ 89	55	103⅝	−0⅞	9.47
EEC 10½ 91	60	105	+0⅛	9.34
EEC 11 93	50	103⅛	0	9.94
EEC 11⅛ 91	50	105⅝	−0⅛	9.81
EEC 11⅛ 93	70	105	0	9.75
Euro Coal & Steel 6 94	60	117	−0½	9.33
Euro Invest Bk 9⅛ 96	200	100⅛	0	9.22
Euro Invest Bk 10⅛ 94	100	104½	+0⅛	9.30
Euro Invest Bk 10⅛ 89	50	107⅛	+1½	7.66
Euro Invest Bk 10⅛ 94	100	105⅝	0	9.57
Euro Invest Bk 11⅛ 92	75	107⅞	0	9.45
Euro Invest Bk 11⅛ 93	50	106⅛	−0⅞	9.82
Euro Invest Bk 11⅛ 96	50	111⅛	−0⅛	9.48
Gen Finance 11 90	70	106⅛	−0⅛	9.17
Giro Vienna 10½ 93	60	107	0	9.10
GTE Finance 10⅞ 92	50	108	0	9.13
Ireland 10⅛ 95	50	103⅛	−0⅛	9.89
Italian Govt 10½ 92	600	105⅛	−0⅛	9.43
Italian Treas 11½ 90	60	108	0	9.35
Kredietbank L 9⅛ 92	75	100⅞	−0⅛	9.17
Megal Finance 11⅛ 94	100	107	+1⅛	9.95
Nippon Cred Bk 11 91	50	108⅛	+0⅛	9.18
Nordic Inv 6 94	50	116⅛	−0⅛	9.23
Post Och Kred 10⅞ 92	50	104⅛	−0⅛	9.80
Royal Bk Can 10½ 89	85	104	−0⅛	9.00
SNCI 10⅞ 94	60	107⅛	0	9.58
Swedish Export 11 89	58	102⅞	−0½	9.88
West LB 10⅞ 91	50	104½	−0⅛	9.70
World Bank 10⅛ 88	100	104⅛	−0½	8.75

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Nat Aust Bk 12½ 89	40	92⅛	0	15.59
PIBA 12⅛ 89	50	92⅛	−0⅛	15.35
State Bk NSW 12⅛ 89	40	93⅛	0	14.72
Woolworths 14⅛ 88	25	97⅛	+0½	16.22

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intnl 10⅛ 91	100	92⅛	−0½	11.31
Denmark 10⅛ 89	75	99⅛	−0½	10.99
EEC 11⅛ 94	50	100⅛	−0⅛	11.24
Europarat 11⅛ 92	50	100	−0⅛	11.35
Euro Invest Bk 10⅛ 92	75	97⅛	−0⅛	11.29
Finland 11⅞ 88	50	101⅛	−0⅛	11.26
Grand Met Fin 10⅞ 90	50	97⅛	−0⅛	11.52
Int-Amer Dev 11⅛ 91	60	99⅞	−0⅛	11.38
Int Stand Elec 11⅛ 89	50	98⅞	−0½	11.57
Inv In Indust 11½ 91	50	103⅛	+0⅞	10.75
Ireland 11⅞ 94	50	100⅛	−1	11.30
New Zealand 10⅛ 89	100	97⅛	−0⅞	11.47
SNCF 11⅛ 94	80	99½	−0⅛	11.32
World Bank 10⅛ 88	100	99⅛	−0⅛	10.91
World Bank 10⅛ 89	50	99⅞	−0⅛	10.90
World Bank 11 94	50	99⅛	−0⅛	11.16

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Commerzbank DM	31/5/88	1	0	−43.86
Ciba-Geigy Int £	1/11/93	512½	−7½	236.87
Credit Suisse	31/5/88	82⅛	+7⅛	9.47
Deutsche Bank DM	18/6/91	121½	0	−47.59
ICI Finance	1/6/90	345	+12⅛	228.28
IC Industries	15/6/88	27⅛	+2	−18.43
Jusco	22/12/88	82½	−1⅛	12.22
Minebea Co	20/2/89	62½	+0⅛	67.29
Mitsubishi Co	7/11/88	37	+0½	23.31
Mitsui	10/12/87	27⅛	+0½	28.65
Nissho Iwai	1/2/89	16⅛	0	35.20
Nomura	31/10/88	81⅞	+2⅛	17.46
Swiss Bank Cpn	20/12/88	117⅛	−6⅛	21.37
Toray Ind	5/3/87	35⅛	−6⅛	14.02
Veba Intnl	15/12/93	57	0	−10.44

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11½ 91	14/2/88	56⅛	+10⅛	9.91
Coca-Cola 11⅛ 91	28/11/88	66⅛	+6⅛	11.05
Commerzbk 13⅛ 91	17/7/88	140	+17½	10.17
Du Pont 13⅛ 89	25/3/88	100⅛	+5⅛	9.93
Eksportfinas 13⅛ 88	15/9/87	106⅛	+8⅛	9.69
Gen Elec 12⅛ 91	7/8/87	84⅞	0	10.83
Ind Bk Jpn 12⅞ 91	5/10/89	108⅛	+8⅛	10.27
Inv In Inds 10½ 91	1/12/88	88	+13	10.09
McDndls F 11⅛ 94	5/1/89	67⅛	+6⅛	9.87
Oester Lnbk 13½ 88	9/8/87	97⅛	+1	10.10
Texaco Cap 12⅞ 92	1/9/87	51⅛	+1⅛	11.69
Trnto Dom 12½ 91	5/4/88	98⅛	+11⅞	10.17

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

† Perpetual.

Closing prices on December 20.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

Finding the 'flashpoint' of convertible bonds

ISSUING convertible debt is a bit like fishing in the dark. Borrowers do it to cut borrowing costs, offering investors an equity kicker as compensation for a lower coupon. But setting the conditions for conversion involves making essentially blind assumptions about bond buyers.

The greater the chance that investors will be attracted to convert at an advantageous price, the lower the interest coupon can be. But what happens after the issue? Borrowers have differing needs, and their requirements may change over the life of a bond.

Some may want to see as much debt as possible converted into equity, boosting their capital base and reducing debt. Others may prefer to keep low-cost borrowings outstanding.

All, when they issue the debt, would like to feel that they will have some control over conversion or at least an idea of likely conversion patterns. They want orderly balance-sheet planning, and to avoid disorderly markets arising from a flood of conversions.

To illuminate some of the murk in what is a growing sector of the Eurobond market, Orion Royal Bank has produced a detailed study based on the conversion records of 25 issues by North American and a few European borrowers. The results show that there is extraordinary diversity in the actions of investors. But the authors draw several useful conclusions.

Borrowers most commonly ask what is the "flashpoint" at which investors are likely to convert. The answer, the study shows, is that many bonds are converted when the underlying share price rises to between 20 and 50 per cent above the conversion price. Conversions are heaviest immediately after bond coupon payments.

But it is not as simple as that. In fact, there appears to be a remarkable reluctance among investors to convert even though the movement of the share price into this range apparently makes it attractive to do so.

If there is a sharp share price rise into the range, a sudden burst of conversions tends to result. More than 60 per cent of an INA (now Cigna) issue was converted in 1980 when the share price rose sharply.

"As conversion generally *takes place during or immediately* after significant and strong rises in the common stock price, there is little evidence that conversions and resales of the underlying common stock have adversely affected the market performance of the shares concerned," Orion says.

By no means all of an issue is likely to be converted in such circumstances, even if the share price continues to rise.

Investors can be strongly influenced by the relative yields on shares and bonds. There were no conversions of a Southern California Edison issue before the end of 1983 even though the share price ended the year at $19¾—and the previous year at $17¼—against a conversion price of $16⅞.

The 10.3 per cent current yield exceeded the 9.6 per cent dividend yield at the end of the year. In 1984 nearly half the issue was converted as the share price rose further and the yield differential was reversed.

Other examples suggest, however, that a yield advantage favouring conversion persuaded bondholders only slowly to convert.

Bondholders may be encouraged to convert and then sell the shares if a bond is insufficiently liquid, preventing them from getting full market value through simply selling the bonds.

But they may hold on to bonds if they are among those Eurobond investors who prefer to preserve their anonymity, or if they would become subject to dividend withholding or other taxes by converting.

Borrowers can exert some control over conversion by including options for them to redeem—if they do so, investors must quickly convert or submit to redemption. They can also give investors the chance to sell bonds back at specified times, again concentrating investors' minds.

Investors sometimes convert *even if the share price has not* exceeded the conversion price. But they are unlikely to do so in the event of a "busted convertible." An issue by Xerox in 1975 offered investors the then-tempting chance to buy Xerox shares at $148 before 1988. By the end of 1984, the shares were down to $38¼ and a mere $32,000 of the $75m issue had been converted. The borrower has been paying 5 per cent and the issue, says Orion, *is traded on a yield basis alone.*

The Conversion Pattern of Convertible Eurobonds Issued by North American Corporations; Orion Royal Bank.

Alexander Nicoll

Venezuelan groups to share $6.5bn in cheap funding

BY RICHARD JOHNS IN LONDON

A TOTAL of about $6.5bn in foreign exchange at a preferential rate is likely to be made available to the Venezuelan private sector by the year-end deadline for appropriating funds, according to foreign bankers in Caracas.

Only about 10 applications out of 8,350 or so originally made for dollars at the rate of 4.5 bolivars to the dollar – compared with the current rate of 14.45 – had not been reviewed at the end of November by the Oficina del Regimen de Cambios (Recadi) and the Decree 61 Commission.

Claims dealt with amounted to $14.4bn, with a balance of $300m still to be processed, according to a memorandum sent recently by Recadi to foreign creditor banks. The two most important outstanding applications were understood to be those of the affiliates of two US companies, General Electric and Caterpillar.

By the end of November, however, the *central bank had concluded* foreign-exchange contracts – the final stage in the process of securing cheap dollars for debt repayment – with only 105 companies, making $2.3bn available to them.

At the same time, another 85 applications in respect of an additional $2bn of debt had been approved and referred to the central bank of which 15 were ready for signature and another 44 had been referred back for further clarification.

Recadi and the commission have speeded up the processing of claims for preferential treatment since the imports (prior to the February 1983 devaluation) qualifying for it were defined more precisely.

But the issue of "motivated resolutions" *– or the final documented* judgment of Recadi – has lagged far behind. Those completed by the end of last month covered about 5,000 cases involving about $8.6bn of debt.

So far, only two significant renegotiation agreements have been reached with creditor banks – C. A. Venezolana de Cementos for $72m in August and Plastilago, the petrochemical manufacturer, for about $60m early in November.

TSE to scrutinise Japan Line

BY YOKO SHIBATA IN TOKYO

THE TOKYO Stock Exchange is to seek a detailed explanation from financially strapped Japan Line – the second largest tanker operator after Sanko Steamship – about a drastic restructuring programme announced last week.

Under the plan the company would shed 950 of its 2,500 workforce by next March and transfer all remaining employees to a newly established subsidiary in an attempt to avert a decline into negative net worth in 1986-87.

The plan was adversely received by investors, and the company's shares came under heavy selling pressure, although on Saturday they recovered Y6 of a Y27 fall to close at Y78.

Market operators said the collapse of Sanko Steamship was fresh in investors' memories and the extent of Japan Line's restructuring proposals had given the impression that the company could be heading the same way.

The stock exchange is to examine Japan Line's eligibility to remain listed because a company with no employees except executives is without precedent on the exchange. Under current regulations the exchange is able to turn down applications for new listings on these grounds, but there appears to be no stipulation that such a company be delisted.

Second-quarter decline at General Mills

By Our Financial Staff

GENERAL MILLS, the US food group which last month spun off its toy and fashion businesses to shareholders, has reported a decline in net profits to $46m for the second quarter to November 24, against a restated $55.6m.

Earnings per-share were $1.03 compared with $1.23, on sales which rose slightly to $1.2bn. The turnover figure for the three months of 1984 was also restated, at $1.13bn, in order to reflect separately the discontinued operations.

Six-month net profits were $94.9m or $2.13 per share, against $109.7m or $2.43 a share. Sales moved up from $2.15bn to $2.27bn.

● Beatrice Companies, the food and consumer products group, said $6.6bn in funding had been set in place for the leveraged buyout being effected by Kohlberg Kravis Roberts. Shareholders would receive some $5.25bn in cash, it added, with the rest of the $6.2bn purchase price coming in preference shares.

The agreed offer price is $43 cash per share plus $7 worth of Kohlberg Kravis preferred stock.

Manville to set up $2.5bn asbestosis fund

BY TERRY DODSWORTH IN NEW YORK

MANVILLE, the U.S. company forced into bankruptcy by asbestos-related health claims, has reached agreement on the establishment of a trust fund which could pay out up to $2.5bn to asbestosis victims over the next 25 years.

The settlement follows three years of bitter litigation in one of the largest product liability cases ever fought in the US, where there is mounting criticism of the legal fees and length of time needed to determine such issues.

It was accompanied by a strong attack on the US Government by Mr John McKinney, Manville's chairman, who said that as many as half of the asbestos-related claims were from workers exposed to the product in state-owned or controlled shipyards. "Clearly, industry should not have to pay for the consequences of the actions of the government," he said.

Some questions remain to be resolved, including the claims of shareholders and of plaintiffs seeking restitution for property damage caused by building alterations needed to strip out asbestos fittings, Manville said, however, that the proposed arrangements provided the framework to allow the group to emerge from Chapter 11 creditor protection and continue as an operating company "subject only to certain on-going funding requirements for health and property claims."

The terms of the agreement, made with Mr Leon Silverman, the lawyer appointed by the Federal Bankruptcy Court in Denver as the legal representative for future asbestos claimants, include the following:

● Manville will provide initial funding for an asbestos health trust with more than $800m in cash, receivables and insurance. *This trust will process all* asbestos health claims, administered by five independent trustees.

● The company will, in addition, issue a bond to the trust which would make available a further $75m a year in the fourth year through to 25 years the reorganisation, up to a total of $1.65bn.

● The trust will receive stock representing 50 per cent of Manville's common equity, plus a special convertible preferred stock which could eventually give the trust up to 20 per cent of Manville's common equity.

● From the fourth year of the reorganisation, up to 20 per cent of annual profits would be *available for health claims,* as necessary.

● A separate property damage trust will be established, funded initially with $125m, while up to $200m in bonds and $250m in cash would be distributed to general unsecured creditors.

Eridania to raise L243bn

BY JAMES BUXTON IN ROME

ERIDANIA, the leading Italian sugar refiner which belongs to the Ferruzzi group, is to bring in L243bn ($141.4m) in new funds through a series of moves

Last year the company, which is based in Genoa, had sales of L653bn, on which it made net profits of L20.6bn. It owns a 28.6 per cent stake in Beghin-Say, France's biggest sugar refiner.

The moves include a two-for-one share split, a one-for-four scrip issue and rights issues of both ordinary and savings shares. The company is to issue 24.6m ordinary shares on a one-for-five basis at a premium of L2,000, and 16.6m new savings shares on a one-for-two basis at a premium of L1,750.

Write-offs by Ohio utilities

BY OUR FINANCIAL STAFF

TWO OHIO utilities which are partners in the state's Zimmer nuclear plant have announced substantial fourth-quarter write-offs stemming from the costs of the facility, which is scheduled for conversion to a coal-burning process by 1991.

Cincinnati Gas and Electric, which has a 46.5 per cent stake in Zimmer, said it would take a $142m after-tax charge

Dayton Power and Light, which owns 28.1 per cent of Zimmer, said it would take a $71.7m net charge.

Auditors qualified their opinion on both companies' accounts last year because of uncertainties surrounding Zimmer.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Smith & Nephew Ass. §‡	60	2000	15	5½	100	Kleinwort, Benson	5.500
CITIC ‡	100	1995	10	9⅝	100¾	Yamaichi Secs.	9.506
Credit Lyonnais †‡	150	1993	7	(b)	100	Shearson Lehman Bros.	–
Statoil ‡	125	1996	10	9¼	100¼	Deutsche Bk Cap. Mkts.	9.211
ECSC ‡	100	1986	8	9⅜	100¾	Morgan Guaranty	9.257
World Bank ‡	300	2016	30	9¾	100	Deutsche Bk Cap.Mkts.	9.750
D-MARKS							
Union Bank Finland (a)†‡	250	1996	10	¼	100	Deutsche Bank	–
Trans-Eur. Nat. Gas Pipe **‡	30	1990	5	6⅛	99½	DGZ	6.244
SWISS FRANCS							
TNT Ltd. ¶	300 max	1998	–	(4⅞)	(100)	Soditic	*
Ex-Im Bank Korea ‡	50	1994	–	6⅛	100	SBC	6.125
Norges Kommunalbank **‡	100	1990	–	5	100½	Bqe Gutzwiller, Kurz, B.	4.859
RX Capital (c)§	100	2001	–	(5⅝)	100	Bqe Gutzwiller, Kurz, B.	*
Canterra Energy **‡	125	1992	–	5⅝	100	Credit Suisse	5.625
YEN							
Sumitomo Metal Ind. ‖‡	20bn	1996	10	8	101⅞	Nikko Secs. (Europe)	7.724
Syntex USA ‡	20bn	1993	7	6⅝	101	LTCB Int.	6.443
CSX ‡	10bn	1996	10	6¾	100¾	Daiwa Europe	6.645
Credit Foncier ‡	15bn	1996	10	6½	101½	Daiwa Europe	6.293

*Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ⌽ With bond warrants. ‖ Dual currency. (a) ¼ over 3m Libor, maximum coupon 8⅝. (b) Equal to 6m Libor flat. (c) Collateralised double convertible.
Note: Yields are calculated on AIBD basis.

An Important Message to Union Carbide Shareholders

This advertisement appears as a matter of record only. It is neither an offer to buy nor a solicitation of an offer to sell shares. Tenders will not be accepted from or on behalf of, holders of shares in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction.

Dear Fellow Shareholder:

On December 10, GAF Corporation commenced a partial offer to acquire shares of Union Carbide from its shareholders.

Your Board and management chose not to respond immediately to the GAF offer, but to wait until, together with independent financial and legal advisors, we could thoroughly and objectively scrutinize GAF's proposal. Today I can report to you that, based on the intensive analysis just completed, your Board of Directors has unanimously concluded that **GAF's offer is grossly inadequate and unfair, highly conditional, of questionable legality and would deny you the true value of your investment in Union Carbide while jeopardizing the security and interests of our employees, customers, suppliers and the communities of which we are an integral part. In short, the GAF "offer" is an obvious attempt to profit from the assets of your Company at your expense and in utter disregard of the best interests of Union Carbide's employees, communities and customers.**

Accordingly, your Board of Directors unanimously and unequivocally recommends that Union Carbide shareholders not tender their shares into the GAF offer. Further, your Board of Directors has authorized specific actions intended to protect your vital interests and to provide you with an immediate and financially superior alternative to the GAF Tender Offer. Let me give you some of the background behind your Board's decision and explain the alternative we are recommending to you.

GAF TIMED ITS OFFER TO SEIZE UNION CARBIDE'S VALUE BEFORE THE MARKET REFLECTED THE BENEFITS OF OUR RESTRUCTURING PROGRAM.

Evidently, GAF watched throughout the past year as Union Carbide management took decisive action. GAF has apparently recognized that Union Carbide's comprehensive restructuring program to enhance shareholder value is already producing positive results. It appears that GAF timed its actions so that it could seize the enormous value inherent in Union Carbide before the stock market fully reflected that value and all of our shareholders could benefit.

- Staff reduction has been achieved selectively, preserving management depth in key positions of the Company. Our salaried personnel should be reduced by more than 4,000, under our voluntary separation program, by the first quarter of next year.
- Our divestiture program is moving forward, and we expect to make additional significant announcements before the year's end. **We expect the divestitures to yield at least $500 million, with no material impact on earnings.**
- Special charges related to divestiture programs and the voluntary separation of 4,000 personnel have already been taken in the 1985 third quarter, reflecting costs of the separation program and write-downs of inventory and certain assets.
- We have also changed our depreciation policy. Depreciation schedules are now based on shorter useful lives, which improves the quality of stated earnings. Related charges are being taken this year.
- With Federal clearance on a program to revert excess pension funds to the corporation, we expect to receive $500 million shortly.
- Your Company already has repurchased more than 3 million shares of our stock, while retiring $90 million of long-term debt.
- We have increased spending for safety and environmental protection, so that Union Carbide's protection levels surpass the levels imposed by government regulations.

Our comprehensive restructuring program, announced in August, is well ahead of schedule.

The bottom line? Our restructuring program should result in on-going cost reductions of at least $300 million per year pre-tax.

The signs of progress are clear. This year our gross margin percentage improved markedly in each quarter versus the same quarter a year earlier.

The actions taken this year represent the culmination of a long-term strategic plan to shift our business mix. We believe shareholder value will best be enhanced by building logically and naturally on Union Carbide's strengths. We are therefore resolved to continue to:

- Augment specialty and consumer product lines.
- Broaden business development outside the United States.
- Aggressively expand our value-added, high-growth service businesses by exploiting sophisticated Union Carbide technology.
- Significantly cut participation in the languishing steel-related markets.
- Confine petrochemical investment to the North American continent, where feedstock availability is most favorable and our plants are most efficient.
- Divest unproductive and strategically unrelated businesses.
- Streamline our organization, enhancing its ability to respond quickly to changing market and economic conditions.

UNION CARBIDE

هكذا من الأصل

Today, Union Carbide is well-positioned for future profitable growth, on a steady financial foundation and with a responsive and efficient operational structure.

Momentum is building. Union Carbide is on track and moving forward. It is in the hands of an experienced management team—one that knows Union Carbide and its businesses, one with the depth to assure continuity through the coming years. **Only if GAF's self-serving attempt is thwarted will everyone connected with Union Carbide— shareholders, employees, communities, customers and suppliers—share in the benefits resulting from this year's decisive actions.** Therefore...

WE ARE GIVING OUR SHAREHOLDERS A SUPERIOR ALTERNATIVE TO GAF's GROSSLY INADEQUATE AND UNFAIR OFFER.

The Union Carbide Board of Directors has unanimously authorized a program that will preserve for our shareholders the opportunity to participate in this Company's continued development; enhance the value of their investment; provide those shareholders who wish to sell their shares maximum value for their investment; and serve the best interests of all our other important constituencies.

Union Carbide is commencing an offer to purchase, subject to the terms and conditions of the offer, up to 47,100,000 shares of its common stock by exchanging for each share a package of cash and senior debt securities valued at $85.00. Pursuant to our offer, Union Carbide will not condition the purchase of up to 23,550,000 shares on any action by GAF Corporation. Union Carbide will not be obligated to accept for exchange more than 23,550,000 shares unless GAF were to acquire at least 30% of the presently outstanding common stock.

Our offer to purchase 23,550,000 shares regardless of the actions of GAF is an extension of the stock repurchase element of our restructuring program and is designed to give our shareholders a portion of the benefits of that program immediately. The full offer to purchase up to 47,100,000 shares is intended to ensure that if, contrary to the Board's view of the best interests of the Company and its shareholders, the Company is transformed into a highly leveraged enterprise in order to obtain immediate profit, those immediate profits will go to **you**, Union Carbide shareholders—**not** to the shareholders and financiers of GAF.

Every appropriate action must be taken to protect your Company's interests. Accordingly, lawsuits are being filed against GAF on three independent grounds:

1. Violation of securities laws;
2. Violation of the margin regulations; and
3. Violation of the antitrust laws.

All of these important programs are soundly and realistically conceived with only one goal in mind: to provide Union Carbide shareholders with immediate value while protecting the ability of the Company to proceed as a strong competitor in its core businesses, thereby serving both the long-term as well as the immediate rights and interests of our shareholders, employees, communities, customers and suppliers.

GAF SEEKS ONLY TO PROFIT AT YOUR EXPENSE.

GAF has made its intentions clear. GAF's SEC filings reveal it wants to:

- Acquire Union Carbide at a bargain price, using high-risk "junk-bond" debt, based on the credit of Union Carbide's assets;
- Destroy Union Carbide by selling off many of our valuable assets to repay its acquisition debts, reaping the economic gain for GAF's shareholders—not for Union Carbide's shareholders.

In other words, GAF would sell off many of your Company's valuable assets, realizing a tremendous profit for GAF far in excess of the total value of its offer to you; GAF's offer is simply a self-serving effort to give GAF a profit at your expense.

We believe that if GAF were permitted to succeed with its grossly inadequate and unfair tender offer, the consequences would be profoundly destructive. Not only would Union Carbide shareholders be denied the real value we are building, but the GAF offer could do serious damage to our employees, customers and the communities where we operate, since GAF will be under intense pressure to dispose of assets quickly to service its short-term acquisition debt.

The GAF offer runs counter to the growing body of opinion of legislators, regulators and financial experts who condemn precisely the kind of risky financing GAF would use to achieve its purposes. GAF seems to be trying to squeeze in its offer before the Federal Reserve Board begins to carry out its announced intention to enforce the margin requirements against junk bond-financed tender offers. You should be aware that it is questionable whether GAF's financing is lawful under the margin rules even if GAF can succeed in this hurried attempt to beat the Fed's new policy.

Your Board of Directors is obligated to protect and serve your best interests. The program they have unanimously authorized is designed and intended to accomplish that purpose and, in doing so, to assure that Union Carbide Corporation continues as a profitable, growing company serving all its important constituencies.

We thank you for your continued support.

Warren M Anderson

Warren M. Anderson
Chairman

UNION CARBIDE

A case of black and white pique

By Charles Batchelor

Distillers, the Scotch whisky group fighting a £1.9bn takeover bid from Argyll, the supermarkets concern, yesterday attacked Argyll's most recent newspaper advertisements as containing "subtle distortions and misrepresentations."

Argyll adapted the terrier symbol of Distillers' Black and White whisky to back up its argument that Distillers' brands were "begging for new management." In two-page advertisements in many newspapers over the weekend, Argyll attacked Distillers' marketing strategies.

Argyll charged Distillers with allowing brands "that are rooted in the magic and mystery of Scotch whisky itself" to decline in Britain and come under threat in the rest of the world.

Argyll said Distillers did not market its Dewar's brand in most of the world's major markets. Mr David Connell, a Distillers' director, said joint marketing agreements with distributors were the norm in the business, but Distillers was spending £92m a year on advertising its brands.

Argyll claimed Distillers had launched the Old Harmony Brand in Japan because its Red Label had lost its market position. Mr Connell said Old Harmony was priced between the Red and Black Label whiskies to appeal to the gift market. Sales of Old Harmony were growing 40 per cent a year.

Granyte dealings

Dealings will start today on the USM in the shares of Granyte Surface Coatings following a placing of 3.5m shares by James Finlay Corporation. This is Finlay's second USM flotation.

IBM directors join Micro Business in shake-up

BY LUCY KELLAWAY

Micro Business Systems, the debt-burdened distributor of microcomputers, has announced a programme of asset disposals and a series of senior management changes to strengthen its balance sheet and bolster its board.

Mr Stafford Taylor and Mr Owen Williams, are both resigning as directors of IBM (UK) to become chief executive and deputy chairman of MBS. Mr Michael Brooke is to resign as managing director, but will remain on the board in a non-executive capacity.

MBS is planning to sell two subsidiary companies, MBS Technirent and MBS Data Efficiency, which will result in a reduction in group borrowings from about £17m to about £8m. Gearing, currently over 800 per cent, should be reduced to less than 100 per cent.

The company estimates that profits for the year to December would be £1.5m (£3.4m), before reorganisation costs of £440,000 and extraordinary provisions for doubtful debts of £900,000.

A "substantial recovery" is expected for 1986, on the assumption that there is no further deterioration in the computer market.

Technirent, which sells specialised equipment for microprocessors, is to be sold for £4m to its management, in a deal backed by 3i. In the year to December 1985, Technirent expects to have estimated profits of £130,000 after interest charges of £300,000.

Discussions are taking place on the sale of Data Efficiency.

Prestwick warns of £1m loss

Prestwick, the manufacturer of printed circuit boards, has warned shareholders that it made a pre-tax loss of about £1m in the first four months of the current year, on sales down by about 50 per cent.

Speaking at the annual meeting, Mr Thomas Miller, the chairman, said that between July and September the company and the printed circuit board industry had been through a period of crisis. Orders on a monthly basis dropped by over 30 per cent, and a different product mix resulted in additional problems being created for the company.

The change in the market, whereby the lead times on orders contracted and the product mix was constantly shifting, came sooner than the company had expected, and its responses were not in place, the chairman said.

Mr Miller noted that the order book for December was not at break-even levels, although the January order book indicates that the company should break even during that month. Order intake is slowly improving, and the board is confident of the longer term prospects for the industry.

When Prestwich last month announced profits of £1.8m (£1.1m) for 1984-85 it indicated that the depressed state of the industry would have a severe effect on the first half of the current year.

Sigmex placing on USM

BY RICHARD TOMKINS

Sigmex International, an electronic systems engineering group, is coming to the Unlisted Securities Market through a placing of 2.4m shares at 101p by Robert Fleming, the merchant bank.

The company's market capitalisation at the placing price will be £8.6m. Brokers to the issue are L. Messel.

Sigmex was founded in 1973 by two engineers: Mr John Massey, the present chairman, and Mr David Puttick, who has since left to pursue other interests outside the electronics sector.

It is based in Horsham, West Sussex, and employs 230 people supplying high performance computergraphic and image display systems for use in the industrial, military and scientific markets.

The group's biggest market is in command and control systems for industrial and military applications. Customers include the Central Electricity Generating Board, Nato, Ferranti and the Royal Netherlands Air Force.

Computer aided design accounts for another 35 per cent of turnover and the general scientific division for about 9 per cent.

Pre-tax profits have risen from £156,000 in the year to June 1981 to £1.2m for the year to last June, on turnover up from £1.6m to £11.9m.

Sigmex says it is too early to make a profits forecast for the current year. The historic p/e ratio based on pro forma earnings is 9.4.

The main reason for the placing is to raise capital for the group's development and expansion. Of the shares being placed, all but 77,000 are being issued by the company. This will raise £2 net which will be used to strengthen working capital.

US mutual funds buy stake in Lonrho

BY CHARLES BATCHELOR

TWO US mutual funds managed by Heine Securities, a New York brokerage house, are understood to have bought about 12m shares or about 4.5 per cent of the equity of Lonrho, the international tradindg group headed by Mr Roland "Tiny" Rowland.

Mr Paul Spicer, a Lonrho director, said it was the company's "belief" that Mutual Shares and Mutual Qualified Income Fund, had bought the stake following the sale of 19m shares by Gulf Fisheries, the Kuwaiti investment group, nearly two months ago.

The buying by the two mutual funds brought the US holding in Lonrho to about 11 per cent and the total institutional holding in the company to about 46 per cent.

"We have quite a big American following which has been building up over the past four years," Mr Spicer said.

The controversy surrounding Lonrho's seven-year battle for control of House of Fraser—lost last March to the Al-Fayeds of Egypt—meant that for a long time many institutions held relatively few Lonrho shares, though the company had a loyal following among small shareholders.

Lonrho's shares have been very firm recently and rose another 5p last Friday to a 1985 high of 199p. At this price the holding of the two mutual funds is worth about £23.9m.

Evered's £6.7m purchase

Evered Holdings, the engineering company with a 20.1 per cent stake in TI Group, is expanding into polymer manufacturing with the acquisition for £6.7m of Wellington Equipment, a rubber products business, from Tarmac.

The deal was foreshadowed earlier this month by Mr Raschid Abdullah, chairman of Evered, who said the existence of the TI stake did not mean the company could not grow in other directions.

However, yesterday's news will increase speculation that a full bid for TI has been shelved, at least for the immediate future.

Wellington makes rubber compounds and converts compound into a variety of moulded and extruded rubber products.

The acquisition means Evered now has three divisions: industrial products, metal forming and polymers.

For the year to December 1984, Wellington had pre-tax profits of £590,000 on turnover of £18.6m. At the year end there were net assets of £6.7m before a deferred tax provision of £0.4m. It is anticipated that profits for the year just ending will be significantly in excess of last year's and the company believes profits will show continued growth in 1986.

Payment is by a vendor placing of 3.65m Evered shares, with the balance in cash.

Hanson ready to sell Whiteley's

Hanson Trust, the industrial holding company headed by Lord Hanson, is negotiating the sale of Whiteley's, the Bayswater department store it acquired as part of the UDS group, to a property syndicate for about £16m.

Hanson is understood to have obtained outline planning permission for the redevlopment of the store along the lines of the "galleria" shops-within-a-store idea.

Hanson won control of UDS in 1983 after a £260m takeover battle with Bassishaw Investments, a City consortium led by Heron International, Mr Gerald Ronson's private company.

SHARE STAKES

CHANGES IN company share stakes announced over the past week include:

W. Canning—Yule Catto and Co. holds 1,350,000 ordinary in Canning (7.95 per cent).

Windsor Securities Holdings—Channel Hotels and Properties have increased its holding to 1.276m ordinary (16.43 per cent).

LEC Refrigeration—Directors Mr C. R. Purley and Mr D. E. Durrant bought 10,000 and 5,000 ordinary shares respectively.

MEMEC—The following directors have sold shares: Mr R. T. Skipworth 482,063 and now holds 5,700,000 shares; Mr E. A. L. Sturmer 58,969 and now holds 1,211,114 shares, and Mr C. R. Stevens 13,570 and now holds 75,000 shares.

Samuel Properties.—Director Mr N. A. Samuel, on December 12 sold 50,000 shares at 161p and now holds 350,000 beneficial shares and 1,196,500 shares non-benefically remaining unaltered.

Richardsons Westgarth—Hopwood Investments, a company controlled by Mr J. F. R. Lufkin, has increased its shareholding to 1,335,000 shares, representing 10.5 per cent of the issued capital.

FINANCIAL TIMES STOCK INDICES

	Dec. 20	Dec. 19	Dec. 18	Dec. 17	Dec. 16	Dec. 13	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Government Secs.	82.85	82.89	82.70	82.91	82.85	83.15	84.87	78.02	127.4	49.18
Fixed Interest	88.75	88.72	88.68	88.86	88.85	89.06	90.58	82.17	150.4	50.53
Ordinary	1108.6	1114.9	1104.6	1089.9	1100.3	1105.9	1146.9	911.0	1146.9	49.4
Gold Mines	254.4	256.4	250.1	259.8	257.5	260.3	536.9	237.8	734.7	43.5
FT-Act All.Share.	670.98	672.66	667.66	662.51	667.75	669.76	702.06	581.88	702.06	61.92
FT-SE100	1386.5	1390.7	1378.8	1366.4	1376.5	1381.4	1455.5	1206.1	1455.5	986.9

LADBROKE INDEX

1,112-1,116 (−7)

Based on FT Index

Tel: 01-427 4411

26/12/85 open 2.30 pm to 9 pm

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
180	F.P.	15/1	213	195	Abbott Mead Vickers	200		bg2.8	3.5	2.0	28.6
135	F.P.	9/1	196	181	Ashley (Laura) 5p	183	−2	bg1.89	3.1	1.5	41.2
§110	F.P.	—	120	115	Barham Group 2½p	122		t2.0	3.8	2.2	29.7
587	400	—	305	297	Cable & Wireless 50p	300	−2	F9.5	2.9	4.5	8.8
§63	F.P.	—	70	66	✠ChancerySecurities	67		bg2.2	2.6	4.7	10.4
§86	F.P.	10/1	87	85	✠Chart. Foulks Lynch	86	+1	bg3.0	1.9	5.0	15.0
§110	F.P.	16/12	134	120	✠CheshireW'foods 5p	120	−3	bg3.65	2.0	4.3	16.1
120	F.P.	—	130	127	Chetwynd Streets 5p	130		b2.11	3.5	5.4	17.8
§95	F.P.	17/1	100	97	✠Cranswick Mill 10p	97		bg5.37	2.2	7.8	8.3
§74	F.P.	8/1	86	71	✠Crusts 5p	63	−2	bg0.7	9.6	1.2	8.9
§128	F.P.	10/1	135	130	✠Dialene	133	+3	u4.9	2.5	5.3	8.7
100	150	26/2	49½	49	German Sec. Inv. £1	49		—	—	—	—
§57	F.P.	11/12	67	60	✠Hampden Home 10p	83	−2	bg1.5	2.8	3.4	15.2
§160	F.P.	13/1	250	170	✠J S Pathology 10p	228	−7	bg3.5	2.7	2.2	23.8
§120	F.P.	—	125	122	✠Jacques Vert 10p	122	−2	bg5.5	1.9	6.4	11.4
115	F.P.	—	126	122	Lexicon Inc. $0.01	125	−2	u3.46	3.9	1.9	13.9
115	F.P.	—	127	122	Merivale Moore 5p	123		b2.5	4.0	2.9	12.1
§160	F.P.	20/12	168	165	✠Millward Brown	167		bg2.5	3.5	2.1	19.2
167	F.P.	—	81	78	✠Monks & Crane 10p	81		bg2.7	2.7	4.8	11.1
§70	F.P.	—	104	100	✠Norank Systems 5p	100		bg3.0	2.4	4.3	15.9
100	F.P.	—	117	106	SAC Intnl. 10p	115		b1.5	3.8	1.9	19.9
125	F.P.	18/12	145	128	SPP 10p	142		bg4.75	2.3	4.8	12.9
§175	F.P.	22/11	192	168	✠Shandwick 2p	170		u3.68	2.2	3.1	21.8
§97	F.P.	10/1	106	100	✠Snowdon & Bridge.	100		bg2.75	3.0	3.9	12.1
§57	F.P.	6/1	74	65	✠SterlingPublish'g5p	67		b2.0	1.9	4.3	15.3
§118	F.P.	20/12	128	119	✠TMD Advertising 5p	120		ug1.65	3.3	2.0	21.7
§130	F.P.	10/1	200	167	✠Tech. Compt. Inds.	195		bg5.0	2.0	2.2	24.8
§90	F.P.	—	103	85	✠WYorks.Ind.Hos.50p	85		b4.0	1.8	6.7	11.5
§128	F.P.	20/12	175	148	✠World of Leather	165		bg2.5	3.0	2.2	22.0

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
§97.205	£25	4/4	24½	24	Allied Lon.Props.10½% 1stMort.Deb.2025	24	.....
§100	F.P.	30/1	100¼	99½	Bristol Water 11.2% Red. Deb. 2005-09.	99½	....
**	F.P.	31/1	109	105	Bunzl 7% Cnv. Uns. Ln. 1995-97	106	...
§100	F.P.	30/1	100⅛	99½	East Anglian Water 11.6% Rd.Db.1995-97	99⅝	
§100	F.P.	30/1	100⅛	99½	Essex Water 11.5% Red. Deb. 1995-97.	99¼	
§100	F.P.	30/1	100⅛	99½	Do. 11.2% Red. Deb. 2005-08.	99½	.....
§98.797	F.P.	—	98½	98½	Ests. & Agency 11¼% 1st Mort. Db. 2020	98½	.....
£12	Nil	—	250pm	190pm	Intl. Inv. Tst. Jersey Units*	190pm	.....
—	F.P.	—	99⅞	99¼	Nationwide Bldg. Soc. 11¾% 15.12.86	99⅝	.....
§99.518	£40	26/2	40¾	38⅞	Rosehaugh Greycoat 11% 1st Mt Db 2014	39¼	+¼
§99.706	£40	—	40¼	40	T. T. Finannce 11⅞% Gtd. Deb. 2016	40	.....
¶	F.P.	28/1	79p	64p	Tozer Kemsley 8½% Cnv.Cum.Prf.20p	64p	−1
95.543	F.P.	9/12	95½	94¼	WhitbreadInv.7%-12% Step. Int. Db.'10	94½	+¼

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
$A3.75	Nil	—	29pm	27pm	ANZ $A1	28pm	.....
110	Nil	—	11pm	5pm	Barham Group 2½p	9pm	−1
9½	F.P.	10/1	12	9¾	Barker & Dobson 1p	12	
290	F.P.	20/1	364	333	Bestwood 15p	350	+7
145	F.P.	17/1	185	168	Bodycote Int'l	170	......
270	F.P.	9/1	320	310	Countryside Props	310	—
130	F.P.	8/1	167	157	Crown House	160	−2
94	F.P.	24/1	119	107	✠Dencora	115	−1
68	Nil	—	3pm	½pm	Hartwells	½pm	
120	Nil	—	3pm	2pm	✠Ind. Scot. Energy £1	2pm	....
30	Nil	10/1	3pm	1pm	Leisure Inv	3pm	....
260	Nil	—	38pm	32pm	Lovell (Y. J.)	32pm	.....
365	P.F.	10/1	460	415	Lucas Inds. £1	460	+5
475	Nil	—	75pm	55pm	Mountleigh	55pm	−5
32	F.P.	10/1	36	32	Readicut 5p	32	....
260	F.P.	24/1	450	350	Regalian Props	350	
240	F.P.	20/1	285	268	Samuelson Grp. 20p	268	−4
187	F.P.	8/1	234	211	Wedgwood	297	−5

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1986. t Indicated dividends: cover relates to previous dividend: p/e ratio based on latest annual earnings. *u* Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). † Units comprising five ordinary and one warrant. * Units comprising 12 preference shares and one warrant.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."*

	Date	Announcement last year		Date	Announcement last year
*Associated Newspapers	Jan 9	Final 9.5	Hunting Gibson	Dec 12	Interim 0.20
Berisford (S. and W.)	Jan 17	Final 7.0	Magnet and Southerns	Jan 10	Interim 2.0
Davy Cpn.	Jan 17	Interim 1.1	Mercantile House	Jan 22	Interim 4.0
Dixons	Jan 17	Interim 1.92	Racal Electronics	Jan 23	Interim 0.7665
Dowty	Jan 17	Interim 2.2	*Ratners	Jan 13	Interim 0.67
Electronic Rentals	Jan 10	Int. 1.867	Stead and Simpson	Jan 11	Interim 2.0
First National Finance	Jan 23	Final due	Thorn EMI	Jan 10	Interim 5.0
Fitch Lovell	Jan 24	Interim 3.0	Trusthouse Forte	Jan 16	Final 3.615
Gestetner	Jan 18	Final 1.171			
Guinness (A.)	Jan 15	Final 4.62			
Guinness Peat	Jan 9	Final 0.8			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

COMPANY NEWS IN BRIEF

PHILIP HARRIS Holdings, which supplies equipment and materials to the scientific, educational and medical markets, increased pre-tax profits by 41 per cent in the half-year ending September 30 1985 from £292,000 to £411,000. Overall turnover rose from £13.05m to £16.18m. The interim dividend is being raised to 3.75p (3p) on earnings per 20p share of 7.6p (4.9p).

CARDIFF PROPERTY, engaged in property investment, returned lower taxable profits of £17,822, against £29,085, for the year to end-September 1985. The company says the fall reflected an increase in borrowing costs. Turnover was virtually unchanged at £224,892 (£222,391). A higher final dividend of 1.2p is proposed lifting the total dividend from 1.75p to 1.8p.

ELECTRIC AND GENERAL Investment Company, an investment trust, has a higher net asset value per share of 372.6p, against 324.8p, at the end of the six months to November 30 1985. The interim dividend is up from 1.55p to 1.85p. Earnings per share were 3.51p (2.59p) with net income at £634,000 (£469,000).

MUNTON BROTHERS, shirt manufacturer, incurred a £1.15m loss during the 14-month period to end-June 1985. Profits of £329,535 were made in the previous 12 months. There is no dividend (3p total). Retained loss was £2.17m after extraordinary debit of £967,334. Directors say that the main problem has been rectified and are satisfied that the group is moving towards profitability.

COATS PATONS, the £1bn plus turnover leader in threads and knitting yarns, has bought a 75 per cent stake in the privately-owned Jean Muir Group, dress design specialists, for an undisclosed sum.

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

8 Lovat Lane London EC3R 8BP — Telephone 01-621 1212

Over-the-Counter Market

Capitalisatn. £000's	Company	Price	Change on week	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
4,006	Ass. Brit. Ind. Ord.	118	−2	7.3	6.2	7.2	6.7
—	Ass. Brit. Ind. CULS	121xd	−4	10.0	8.3	—	—
3,936	Airsprung Group	68	+1	6.4	9.4	11.3	14.8
975	Armitage & Rhodes	39	—	4.3	11.0	4.8	5.8
53,313	Bardon Hill	166	—	4.0	2.4	21.0	21.8
2,973	Bray Technologies	54	—	3.9	7.2	6.6	7.6
476	CCL Ordinary	136	−6	12.0	8.8	3.4	3.2
1,213	CCL 11pc Conv. Pref.	97xd	−5	15.7	16.2	—	—
6,959	Carborundum Ord.	116	—	4.9	4.2	5.7	9.0
637	Carborundum 7.5pc Pf.	91xd	−3	10.7	11.8	—	—
4,461	Deborah Services	57	−1	7.0	12.3	6.5	7.8
3,034	Frederick Parker	21	—	—	—	—	—
1,328	George Blair	72	+1	—	—	2.9	5.3
2,315	Ind. Precision Castings	57	+1	3.0	5.3	15.0	12.6
13,940	Isis Group	175xd	—	15.0	8.6	13.5	20.1
5,832	Jackson Group	112	—	5.5	4.9	7.5	7.5
40,490	James Burrough	292	+16	15.0	5.1	9.2	9.2
3,283	James Burrough 9pc Pf.	95	—	12.9	13.8	—	—
7,607	John Howard & Co.	73	−2	5.0	6.9	5.7	9.0
3,240	Linguaphone Ord.	180s	—	—	—	6.6	6.9
—	Linguaphone 10.5pc Pf.	90s	—	15.0	16.7	—	—
18,808	Minihouse Holding NV	575	—	6.9	1.2	25.1	23.9
714	Robert Jenkins	70	—	—	—	9.0	20.0
1,200	Scruttons "A"	30	−1	—	—	—	7.7
1,635	Torday & Carlisle	67	—	5.0	7.5	3.4	6.1
1,473	Travian Holdings	325xd	—	4.3	1.3	18.5	18.2
6,437	Unilock Holdings	41	—	2.1	5.1	11.1	10.9
16,564	Walter Alexander	130	+5	8.6	6.6	7.4	9.0
4,668	W. S. Yeates	200	—	17.4	8.7	5.7	8.8

s = Suspended.

APPOINTMENTS

INTERNATIONAL APPOINTMENTS

Malzacher steps over at Steyr

BY PATRICK BLUM IN VIENNA

MR MICHAEL MALZACHER, the chairman of Steyr-Daimler Puch, Austria's troubled motor, engineering and arms group, announced yesterday that he would not seek reappointment when his contract ends next June.

Mr Malzacher has had difficult relations with the company's works council at a time when further reductions in the workforce are to be carried out.

Mr Malzacher has been asked to head Steyr's military products divisions, which is expected to be formed as a separate company in the near future under the group's reorganisation plans. Mr Alfred Herzig, another member of Steyr's management board will also be leaving his post when his contract expires in June.

It is understood that Mr Malzacher's departure was not directly caused by Steyr's losses but arose rather from his difficulties with the works council. Mr Rudolf Streicher, currently director-general of Austria Metall, the state-owned metallurgical company, is a favourite candidate to succeed Mr Malzacher.

Steyr's operating losses totalled Sch 295m ($17m) in 1984, roughly the same as in the previous year, while sales continued to decline, from Sch 15.14bn in 1983 to Sch 14.6bn in 1984. The deficit for this year could be as high as Sch 600m, according to industry analysts.

The group is to receive Sch 2.6bn in state subsidies to help it over its difficulties, including Sch 800m for investment in research and development, Sch 600m in the form of soft loans for general investments and Sch 1.2bn as compensation for lost military orders caused by government restrictions on the sale of tanks.

Yamaji in presidency of JAL

By Jurek Martin in Tokyo

MR SUSUMU YAMAJI, a retired veteran of the Japanese Ministry of Transport and a close associate of Prime Minister Yasuhiro Nakasone, has been elected president of Japan Air Lines at an extraordinary shareholders' meeting.

He succeeds Mr Yasumoto Takagi, president since 1981, who tendered his resignation in the wake of the JAL crash near Tokyo in August, which took 520 lives in the worst single aircraft disaster in aviation history.

The Japanese Government holds a 35 per cent stake in JAL, though divestiture is planned within the next two years. The Government also wants to end JAL's monopoly over international passenger flights.

Mr Yamaji's accession is widely viewed as a quintessential Japanese manoeuvre, whereby the Government retains great influence over a company even when its legal authority, as shareholder and regulator, is being disbanded.

Broader role for Hancox at Brierley

BY DAI HAYWARD IN WELLINGTON

BRIERLEY INVESTMENTS Limited (BIL), the New Zealand concern which is the master company of Mr Ron Brierley, the financier, has promoted Mr Bruce Hancox, its chief executive, to the deputy chairmanship.

The move emphasises Brierley's increasing international operations and the important role offshore activity will play in the development of BIL.

Mr Hancox will spend more time in Australia working alongside Mr Brierley, the BIL chairman, who is spending more of his time on analytical work.

Senior executives believe there is still considerable scope for future growth of BIL within New Zealand, but that it must also pay more attention to overseas opportunities. It plans to look closely at country-by-country investment opportunities.

Mr Paul Collins, aged 32, who has been with BIL for several years, has been appointed the next chief executive of BIL.

UK APPOINTMENTS

Top post at National Westminster

Mr Roy Haines has been appointed to he newly-created post of group treasurer of NATIONAL WESTMINSTER BANK. The post has been designed to accommodate the group's growing international and domestic activities and to interact with the enhanced investment banking and capital markets capabilities being developed through NatWest Investment Bank as part of the planning for stock market deregulation next autumn. The position will facilitate co-ordination of treasury matters and asset and liability management throughout the group. Mr Haines was previously treasurer and assistant general manager, international banking division.

*

Following the postponent of the public flotation of NORWEST HOLST GROUP it has been decided to demerge the property interests from the group's main stream construction activities. Mr R. Slater will reassume the post of group chairman. Mr P. Newbould, former chairman of the group will assume the chairmanship of the property company. Mr J. Sadiq has been appointed deputy group chairman, and Mr P. Mason has been appointed group managing director.

*

BRYANT HOLDINGS has appointed Mr Michael Chapman as a director and secretary from January 1. He joined the group from Barratt Developments where he was group financial controller and company secretary. He becomes group finance director from January 28 on the retirement of Mr R. H. D. Hawkins.

*

Mr Richard Wade has been appointed chairman of THE ORMOND PRINTING COMPANY, Dublin, a subsidiary of John Waddington. He is also managing director of Waddingtons of Gateshead. He succeeds Mr Ken Chapple, who is retiring.

Mr Marshall Field has joined the board of TSB TRUST COMPANY, investment and insurance services subsidiary of TSB Group. He was until August this year a director and general manager and actuary of Phoenix Assurance.

*

Mr Alexander MacGregor has been appointed a director of CALEDONIAN ASSOCIATED CINEMAS.

*

Mr Ray Spreadbury has been appointed managing director of TWYFORD PLANT LABORATORIES. He takes over from Mr Jeff Hooper who will become full-time president of Twyford International Inc, the group's holding company. Currently Mr Spreadbury is general manager of Twyford Seeds, part of J. Bibby and Sons, and a director of the company's agricultural division.

*

Mr K. S. McCormick and Mr Hugh Trenchard have been appointed directors of KLEINWORT BENSON and Mr P. E. Churchill-Coleman, Miss R. Hedley-Miller, Mr C. D. Kirkness, Mr J. S. Virdee, Mrs L. M. Watts and Mr D. S. Selly have been appointed assistant directors. Mr B. P. White has been appointed a director of Kleinwort Benson Investment Management, and Mr A. C. Begg, Mr C. L. Bonnet and Mr D. Loffstadt have been appointed assistant directors of Kleinwort Benson Investment Management. All the appointments are from January 1.

*

Mr George Fowkes, a director of the Argus Press Holdings, and chief executive of its business magazines division, has also been appointed chief executive of the US magazines division from January 1.

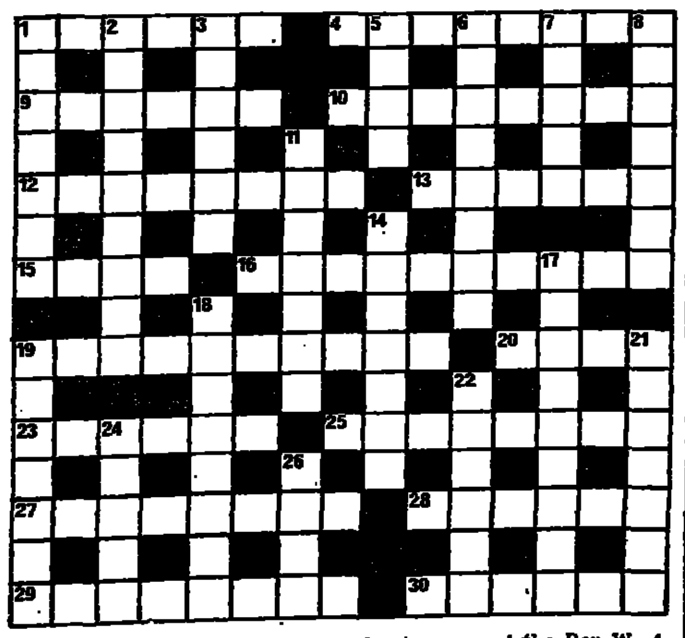
*

Mr Ian Deslandes has been appointed deputy director-general of the BUILDING EMPLOYERS CONFEDERATION from January 1. He is currently director of manpower services for the Confederation.

*

Mr Philip J. Ryan has been appointed a director of NICHOLSON STEWART WRIGHTSON, Lloyd's aviation reinsurance brokers.

F.T. CROSSWORD PUZZLE No. 5,905



Across solutions are presumed utterances of the Rev W. A. Spooner, such as "shoving leopard" for "loving shepherd." The original words are clued first, then the Spoonerised forms (which are to be entered in the diagram); the numbers in brackets refer to the originals.

ACROSS

1, 9 Horsewoman's *costume* keeping hole-dweller dark (6-5)
4 Pieces of meat a great personage cuts (4, 5)
9 See 1
10 Showy motor—collision in the distance (5, 3)
12 She was salified: cockney inquiry of significance of existence (4, 4)
13, 15 Almost finished (costing), *a lot to nobody*? (6, 4)
16 Northern carnivore, one that plays cricket, getting a duck in both innings? (5, 4)
19 Seat in the sun stopped the draft (4-5)
20, 23 Puts down words mechanically — mature garment (10)
25 Almost enclosed stretch of water: should the insect be busier? (5, 3)
27 *Pay* attention, pirate king! (4, 4)
28 Stand with caddy—vegetable trifle (6)
29 Open space at Richmond, maybe, to look intently at night (4, 4)
30 String—revolver wound (6)

DOWN

1 No walkover — how darn awkward! (4-3)
2 Pipe up, interrupting poet in her first year out (9)
3 In climbing round article—insect goes the simple way (6)
5 Steersman's headguard? (4)
6 Incorrectly apprehended, cut in between (8)
7 Present queen not working before (5)
8 Southern request for improving crop quality? (7)
11 Gives and has enough (7)
14 In thin wood, reclined the simple way (7)
17 A princess and a flier in charge, without gain or loss of heat (9)
18 Bowled (out quickly at cricket) (8)
19 Get on level terms with more fish? (5, 2)
21 Regular but still at this late date? (4, 3)
22 Map of the world, as it were, *giving me cash* (6)
24, 26 Bird just held in Nottingham by sage of Rio? (5, 4)

The solution to the Christmas prize puzzle will be published with names of winners on Saturday, January 4.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

INSURANCES

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit Telecom	17	TI	35
Brown (J)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	100	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brit Oil & Min	3½
GKN	20	Brit Petroleum	45
Hanson Tst.	10	Burmah Oil	27
Hawker Sidd	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	48
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
25 Aug 25 Feb	Exch 11¼pc '86	99[illegible]	19 7	11 77	11 90
11 Oct 11 Apr	Treas 10pc Cnv 1986	99[illegible]	4 9	10 06	11 60
19 Nov 19 May	Treas 3pc 1986	97[illegible]	14 10	3 09	10 44
19 Nov 19 May	Exch 10½pc 1986	99[illegible]	14 10	10 55	11 71
12 Dec 12 Jun	Treas 12pc 1986	100[illegible]	5 11	11 98	11.57
10 Jan 10 Jul	Treas 8¼pc 1984-86	98[illegible]	4 12	8.63	11.54
29 Apr 29 Oct	Exch. 14pc 1986	101[illegible]	23.9	13.75	11.60
21 May 21 Nov	Exch. 2½pc 1986	95[illegible]	15 10	2 63	7.84
22 Jul 22 Jan	Exch 13¼pc 1987	101[illegible]	16.12	13 03	11 62
10 Aug 10 Feb	Treas 10½pc Cv '87	98[illegible]	[illegible]	10 40	11.54
24 Aug 24 Feb	Exch 2½pc 1987	93[illegible]	18 7	2 68	8.40
6 Oct 6 Apr	Exch 10½pc 1987	98[illegible]	2 9	10 62	11 42
1 Nov 1 May	Funding 6½pc '85-87	94[illegible]	25 9	6 87	10 76
12 Dec 12 Jun	Treas 10pc 1987	98[illegible]	5 11	10 19	11 42
14 Jun 14 Jly	Treas 3pc 1987	92[illegible]	9 12	3 26	8.44
3 May 3 Nov	Treas 12pc 1987	101	27 9	11 88	11.35
26 Jul 26 Jan	Treas 7¾pc 1985-88	93[illegible]	20.12	8 28	11 16
10 Nov 10 May	Exch 10½pc '88	98[illegible]	4.10	10 68	11.23
14 Dec 14 Jun	Treas 9½pc Cv '88	96[illegible]	7.11	10 09	11.35
1 Jan 1 Jul	Transport 3pc '78-88	87[illegible]	25 11	3 43	8.60
25 Apr 25 Oct	Treas 9½pc '88	95[illegible]	18 9	9 95	11 37
22 Aug 22 Feb	Treas 11½pc 1989	100[illegible]	16 7	11 45	11.26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
May	Sept. M'c'rthy Pn 20p	240	12.8	8.2	2.0	4.9	14.6
Oct	May Macfarlane Gu	122	16.9	†t2.16	3.1	2.5	17.1
July	Nov Madellan (P & W) 20p	42	30.9	†1.7	2.3	5.8	8.7
Oct.	May Magnolia Group	82	16.9	2.6	3.0	4.5	10.0
	♦Mainmet Hldgs 10p	60					97.9
April	Man Ship Can £1	503	25.2				
Oct	May Marley	183	2.9	5.5	3.5	1.6	26.4
Jan	Oct Marling Ind. 10p	86	29.7	3.75	2.2	5.2	12.5
Dec	June Marshall L'ry 'A'	70	30.9	td1.5	5.4	2.5	10.5
Jan	July Marshall's Universal	68	28.10	†2.4	4.9	4.9	5.0
June	Dec Do. 7½pcCnRedPf £1	84	25.11	7½%		12.8	
	♦Martin (Ronald) 10p	96		bq3.27	2.2	5.0	13.2
	♦Mathesons 7½%	£110	30.6	07½%	2.3	17.2	
	♦Maxiprint 1p	20					
Jan	June Metal Box £1	512	25.11	17.25	3.0	4.8	8.1
Nov	June Metal Closures	145	16.9	6.7	2.0	6.6	9.1
	♦Metal Sciences 2½p	6½					
July	Jan ♦Midland Marts	80	25.11	4.0	2.1	7.1	9.6
Jan	May Mitchell Cotts	67	25.11	4.25	2.0	9.1	16.8
Jan.	July Morgan Crucible	208	11.11	†9.0	1.6	5.5	14.4
May	♦Morris (W) F A 20p	20½		g0.5	♦	3.5	♦
Jan	Aug Moss (Robt.) 10p	108	25.11	†3.0	2.7	4.0	11.6
July	Myson Grp 10p	65	25.11	q2.5	3.4	5.5	12.3
Nov	June ♦NMW Computers	310	14.10	†h4.8	2.7	2.2	23.8
Mar	Sept Nash Inds	34	14.1	0.5		2.1	
Oct.	April Neil & Spencer 10p	16	3.81	♦			4.8
Jan	July Newman Inds 10p	32	14.10	20.3		1.3	15.1
April	Dec Nolton	52½	11.11	0.95	2.6	0.3	74.7
Jan.	Aug. Norcros	190	15.7	†8.6	2.0	6.5	10.2
Oct.	April Nu-Swift 5p	51	14.10	†3.0	1.9	8.4	8.3
Feb.	Aug. Oakwood Grp	85	15.7	†d4.5	1.4	7.6	12.5
Dec	July Office & Elect	208	28.10	†7.5	2.6	5.2	10.7
October	Oldacre 20p	80	12.8	4.0	2.6	7.1	7.1

LEISURE—Continued

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

FINANCE, LAND—Cont.

MINES—Continued

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

"Recent Issues" and "Rights" Page 16 (International Edition Page 22)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security

INSURANCE

Disclosure of commissions splits the market

BY ERIC SHORT

WHEN AN investor buys a life *or pension contract from* an independent intermediary, he does not know, in the in*adequately regulated life assur*ance market, how much commission the intermediary receives on the sale or whether his advice given may have been influenced by the amount of commission received.

Only registered insurance *brokers are required* to disclose commissions, and then only if the information is re*quested by clients.*

This will change when the financial services legislation comes *into effect, disclosure* being one of its main themes for protecting investors.

Recently the *Marketing* of Investments Board Organising Committee, which at present *handles the development of* regulation of marketing aspects of investor protection, issued *its proposals for disclosure of* life assurance and unit trust commission payments.

The *basic* objective *of dis*closure, according to Miboc, is not to control commission payments, *but rather to ensure* that there is no commission bias in the advice and recommendations by indepedent intermediaries.

The Miboc proposals envisage two classes of sales staff —company representatives and independent intermediaries.

Company representatives would not be required to disclose payments. They would be required to make it clear to clients that they were selling the products of one company and thus the question of recommending other companies' products would not arise.

When sales are made by an independent intermediary the life company involved would be required *to* tell the investor how much commission the intermediary is to receive.

Miboc assumes that there will be an industry-wide commission agreement laying down maximum scales of commission with which the vast majority of life companies will comply.

In this case there is no commission bias in the advice given, but to make completely sure Miboc is proposing to ban override commission payments for large volume business and benefits in *kind*—possibly subject to minor exemptions such *as presents of golf balls at* Christmas.

Where an intermediary sells *the contracts of a life com*pany operating under an industry-wide agreement, only a restricted form of disclosure would be needed, stating that the life company was a member of the agreement and that copies of the commission scales would be supplied on request.

Where the intermediary sold *the products of a life company* outside the agreement, full disclosure would be required *stating how much the inter*mediary was receiving in the first year and how much in *subsequent years. The disclo*sure letter would then point out that this varied from maxi*mum commission laid down* under the agreement, with these amounts being specified.

Such full disclosure would be required even if the life company was paying the standard *commission rate or less.*

The objective of the full disclosure is to highlight the *amount of bias.*

The majority of life companies, particularly the estab*lished ones which for many* years operated under a voluntary agreement, have welcomed the *proposals, at least in prin*ciple. The newer linked life companies — members of the *Linked Life Assurance Group*— are bitterly opposed

The proposals as they stand will *virtually* force *complete* acceptance of the commission agreement by life companies. *Few intermediaries are likely* to sell products from a life company not in the agreement *because of the full disclosure* requirement.

For full disclosure will *reveal the actual amount of* commission paid — something that sends shivers through all *insurance intermediaries.*

Linked Life group has proposed a standard industry scale of *commissions under which* intermediaries would disclose the amount of departure from the scale. *However, the Miboc* document discusses and demolishes this argument.

The only disappointment in these proposals is that the investor could still be paying too much for his life assurance.

BUILDING CONTRACTS

Road works for Galliford

GALLIFORD has won £14m worth of contracts. Galliford and Sons, the major contracting subsidiary, heads the table with over £6m awards. These are the Western Distributor Road Stage II for Leicestershire County Council; the Black Country Route, Keyway to Owen Road and the Small Heath Bypass for *the West Midlands County* Council; the Windsor Street Rehabilitation Stage I, phase 2 *for the City of Salford*; and foul and surface water works for the Warrington and Runcorn Development Corporation. The largest private sector contract was for Edgar Vaughan at Trafford Park. Kottler & Heron £3.5m and included the Morthen Hall Bridge repairs for South Yorkshire County Council; two contracts for the Anglian Water Authority—one for the Cambridge division at Cotton Valley sewage treatment works and the other for the Oundle division at the Irthlingborough Reservoir. The largest contribution was from the Rickmansworth Water Company for the construction of a reinforced concrete box reservoir at Cholesbury.

On the building front, Wincott Galliford has quoted successfully for various building works throughout the Midlands totalling £2.9m and APW Construction has won the Maenan Abbey A470 improvement scheme at £603,000 for Gwynedd County Council. Other major contracts in the Worcester, Banbury and Telford areas bring their total up to £1.25m. In the eastern counties, Stamford Construction has two contracts for the Peterborough Development Corporation at Perkins Way and Orton Hill valued at £189,000. Galliford CIB has contributed £420,000 by winning a contract to build an extension to warehousing facilities for Cambrian Soft Drinks at Bolton.

Refurbishment in Hammersmith

An £8m contract to refurbish and extend an office building next to the M4 motorway in London *has been awarded to TAYLOR* WOODROW CONSTRUCTION.

The order has been placed by *the Hammersmith House Part*nership for extensive works on Hammersmith House—formerly BOC offices — in Hammersmith Bridge Road, to provide 8,350 sq metres of lettable office space. Work is due for completion in October 1986

Structural alterations include *the removal and replacement of* beams, and extending the floor slaps to fix new curtain walling. *The new tower will be a struc*tural steel frame on piled foundations, with precast concrete floor slabs, tied to the existing structure, and clad in curtain walling. Roof coverings will be removed and replaced with asphalt coverings, insulation slabs and gravel topping.

The new external cladding will be a combination of double glazed curtain walling on all main elevations, with insulated metal panels on flank walls. The building's new, double-storey height foyer will be faced in marble with a feature staircase and glass balustrading.

The existing lift shaft together with an additional twin shaft will provide four, 15-person passenger lifts. New air-conditioning and heating systems will be installed with plant rooms in the basement and on the roof. The work will also include full services installation.

Norwest Holst to build Manchester Airport hotel

NORWEST HOLST is building a £4.6m Ladbroke Hotel which will be the nearest hotel to the main terminal building and only the second *serving the Manchester* Airport complex. The 167 bedrooms are in a five-storey block *which includes a leisure complex* with a swimming pool, children's pool, whirlpool bath, saunas and steam baths. A separate *linked* single-storey building houses the public areas. Conference and banqueting facilities as well as smaller meeting rooms are included. Completion is expected by October.

Upgrading obstetric hotel

WALTER LAWRENCE (CITY) has started, on behalf of the Bloomsbury Health Authority, a £2m refurbishment of the University College Obstetric Hospital and the Darbyshire Home. The hospital is situated at the junction of Huntley St and University St, WC1. The work consists of the alteration and refurbishment of the basement and first to fifth floors of the Darbyshire Home and the first, part *third* and fifth floors of the Obstetric Hospital; the replacement of the existing passenger *lift with a bed lift;* the extension of the South Wing and North Wing fire escapes and improvements to the facade of the Darbyshire Home including replacement windows and curtain walling. The work includes the installation of new electrical engineering services in the Darbyshire Home and the upgrading of services in the hospital. New ramp connections between the two buildings will be constructed *at various levels.* Completion is expected in July 1986.

Rush & Tompkins busy in the home counties

RUSH & TOMPKINS has won eight construction contracts in the south-east totalling £11m. Largest, worth £2.87m, is with the Territorial Army and Volunteer Reserve for Greater London *for refurbishment* and *new* buildings at Watling Street, Bexleyheath, Kent. The work has started at the Bexleyheath Territorial Army Centre, for completion in January 1987. The main building, quartermaster's building and garage block will be refurbished. The new buildings will have a total floor area of 32,500 sq ft. They include a regimental headquarters block, cadets' and mess block of precast concrete beam and column construction and a steel frame garages block together with *associated external works.*

In Buckhurst Hill, Essex, work is about to start on a 27,800 sq ft *Waitrose supermarket at Queen's* Rd. The two-storey steel frame structure is to be built on top of a *new underground car park* and total cost, including fitting out, is £2.4m. Completion is scheduled for September 1986.

A £1.9m contract has been placed by the London Borough of Harrow for the extension and refurbishment of Lowlands Tertiary College in Lowlands Rd. The 39,200 sq ft extension has *piled* foundations, reinforced concrete frame, facing brick walls and slate roof, while the *existing* three-storey *building* will be altered and redecorated. Completion is scheduled for *March 1988.*

In Horley, Surrey, work has commenced on the £1.6m second phase of a £20m central area redevelopment scheme being undertaken by Rush & Tompkins' property division. A further 27,000 sq ft of office space is being provided in two linked blocks of part two- and part three-storey construction. Completion of the second phase is due in July.

Work has also started in Hackney on a £1.2m contract with British Rail for a new single-track railway between the existing North London Line and the Great Eastern suburban line at *Graham Rd.* The post-tensioned concrete under bridges are included in the project in *addition to retaining walls and* associated service diversions. Programmed completion is March next year.

A £900,000 contract with property developer Tallynest is due *to start shortly in London Rd,* Kingston, for construction of flats and shops. The three-storey *reinforced concrete frame build*ing is scheduled for completion in December 1986. In central London, two projects have started worth £920,000. One is refurbishing the eight-storey Queen Mary wing of the National Hospital for Nervous Diseases and the other is to provide Elcinct with a 4,400 sq ft reinforced concrete underground facility adjacent to St Marylebone Church for a body scanner and *therapy unit.*

Improvement work for Fairclough

Three home - improvement schemes jointly worth over £2.1m are *to b ecarried out by FAIR*CLOUGH BUILDING in London. The largest, from the Greater *London Council, entails upgrad*ing the communal areas and provision of security in the *20-storey Selworthy* and Sparkford Houses on the Somerset Estate in Wandsworth. The work includes the formation of new flats, estate offices, improved refuse facilities, stores and drying rooms, together with the installation of an audio visual entry system, enhanced lighting and fire control systems. On the Beaver *Estate* in *Hounslow*, Fairclough is constructing pitch tiled roofs on the flat roofs of *six blocks of flats, houses and* maisonettes. The concrete structures are also being rein*forced.* This pilot remedial scheme for the United Kingdom Housing Trust is programmed for completion in January. Fairclough is installing new roof membranes on six system-built 23-storey tower blocks on Trowbridge Estate in Hackney for the GLC. The 16-week contract includes parapet safety restraint work on three blocks.

Mixed batch for Miller Buckley

MILLER BUCKLEY CONSTRUC*TION has* been awarded contracts worth over £7m. With its shopfitting subsidiary, Benbow *Contracts*, it has jointly won a £1.2m contract for Next, in Newcastle. The refurbishment *and fitting* out of a new Next Complete Store, which will trade on the basement, ground and first *floors*, will incorporate *ladies* and men's fashions, Nest interior, a restaurant and *expresso coffee* bar and a hairdressing salon. Works also include new staircases, escalators *and genral fitting out.* The contract is due for completion in the spring. International Paint has awarded Miller Buckley a contract totalling £300,000 for refurbishment and alterations to the ground and first floors of offices at Felling. A further contract of £800,000 for fitting out a Presto supermarket in Sheffield has been awarded by Argyll Stores (Properties). Other recent contracts for Presto Food Halls include £830,000 at *Stockton*, £660,000 at Ilkeston and £936,000 at Droitwich.

In London, Miller Buckley Parnell, a subsidiary, has been awarded a contract worth *£400,000* by Barclays Bank. *The* work to the Slough Trading Estate branch is due to be com*pleted* next autumn and includes internal alterations and a single storey extension. Stratheden *Homes*, the sheltered housing arm of the group, has awarded Miller Buckley Parnell a £1.1m *contract* for the construction of retirement flats at Eastbourne. Work has started and the flats will be ready for occupation before Christmas 1986. Miller Buckley also has a contract worth £930,000 for extensive alterations and fitting out works, including secretarial areas, library, meeting rooms and general offices together with all services, for a computer company, at Eastleigh.

★

BALFOUR BEATTY CONSTRUCTION has been awarded the contract for the final stage of the A85 Riverside Drive scheme linking Dundee and Invergowrie, by Tayside Regional Council. The order is for completion in 12 months with a value of £1.73m. It involves contruction of about 1 km of single lane carriageway and includes a bridge over the Dundee-Perth railway.

FINANCIAL DIARY FOR THE WEEK

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for *the purpose of considering dividends* and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Moran Tea Hldgs, Tea Brokers Association, Sir John Lyon House, High Timber Street, EC, 12.00
Star Computer Group, 64 Great Eastern Street, EC, 10.00

BOARD MEETINGS
Interims:
May & Hassell

DIVIDEND & INTEREST PAYMENTS—
American Cyanamid 47.5cts
Banco Espir Santo E Com De Lisboa Fltg Rate Nts 1990 $404.69
Grupo Industrial Alfa SA Fltg Rate Nts 1988 $252.78
Hercules Inc 40cts
National Commercial Bank Fltg Rate Nts 1994 $398.26
Prestwick Hldgs 0.7p
Scandinavian Finance BV Fltg Rate Serial Nts Dec 1993 $398.26
Unilever 11.57p

TOMORROW

BOARD MEETINGS
Interims:
Anchor Intl Fund

DIVIDEND & INTEREST PAYMENTS—
Korea Exchange Bank Fltg Rate Nts 1993 $409.84
Lowland Investment 1.8p
Manchester Corp 4pc Cons Irrd 2pc
Metropolitan Water Kent Water Works 3pcDb 1½pc
Midland Intern Fin Serv BV Gtd Fltg Rate Nts 1989 $241.72
New Zealand Steel Development Gtd Fltg Rate Nts 1992 $409.84
United Parcels 0.9p

FRIDAY DECEMBER 27

DIVIDEND & INTEREST PAYMENTS—
Ash & Lacy 8pcDb 87/92 4pc
Bank of Montreal Fltg Rate Dep Nts 1994 £146.47
Bankers Trust Overseas Finance Gtd Fltg Rate Subord Nts 1994 $21.47
Black & Decker Corp 10cts
Chemical New York NV Gtd Fltg Rate Subord Nts 1994 $210.12
Girozentrale Und Bank Der Ost Spark Fltg Rate Nts 1991 $21.17
Metalrax Group 7½pcCumRedPrf 2.625p
PCT Group 1.6p
Scandinavian Finance BV Stlg Fltg Rate Nts 1990 £29.45
Wimpey (George) 0.85p
Yorkshire Intl Finance BV Gtd Fltg Rate Nts 1994 £146.47

SATURDAY DECEMBER 28

DIVIDEND & INTEREST PAYMENTS—
GKN 6pc GtdDb 84/89 3pc
Do 6¼pc GtdDb 84/89 3.125pc
Do 6½pc GtdDb 84/89 3.25pc
Do 7½pc GtdDb 88/93 3.75pc
Do 7¾pc GtdDb 87/92 3.875pc
Do 7¾pc GtdDb 87/92 (2nd Ser) 3.875pc
Do 9¾pc GtdDb 91/96 4.875pc
Do 10½pc GtdDb 90/95 5.25pc
Do 10¾pc GtdDb 92/97 5.375pc
Do 6½pcUnsLn 88/93 3.25pc
Lex Service 6½pcCumPrf 2.275p
Do 8½pcUnsLn 92/97 4.25pc

SUNDAY DECEMBER 29

M&G Japan General Fund Inc Units 0.3p
New Zealand 14¼pc 1987 7.125pc

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

January 1-12
London International Boat Show (0932 54511) — Earls Court

January 9-12
Holiday and Travel Fair (021-780 4171) — NEC, Birmingham

January 11-16
Harrogate International Toy Fair (01-226 6653) — Harrogate

January 12-16
International Light Show (05884 658) — Olympia

January 13-16
Amusement Trades Exhibition (01-228 4107) — Olympia

January 14-17
Which Computer? Show (01-891 5051) — NEC, Birmingham

January 16-19
Ideal Home Exhibition (0202 296275) — Brighton

January 18-22
Stationery Industry Exhibition—STATINDEX (01-385 1200) — Olympia

January 21-23
Hirex Exhibition (01-688 7788) — Wembley Conference Centre

January 21-23
International Contract Flooring Exhibition (0990 243 66) — Novotel

January 29-31
The Videotex User Show (01-608 1161) — Barbican Centre

January 29-February 5
International Hotel & Catering Exhibition—HOTELYMPIA (01-705 6767) — Olympia

January 30-February 2
Practical Woodworking Exhibition (01-643 8040) — Wembley Conference Centre

February 2-6
International Spring Fair—Gift Section (01-855 9201) — NEC, Birmingham

OVERSEAS TRADE FAIRS

January 6-9
International Hotel and Catering Industries Trade Fair — HORECAVA (01-437 2175) — Amsterdam

January 7-9
Computers, Communications and Business Equipment Exhibition — INFO / SOUTHWEST (01-891 5051) — Dallas

January 9-14
International Lighting Show (01-439 3964) — Paris

January 11-19
International Caravan, Motor and Tourism Exhibition — CMT (01-236 0911) — Stuttgart

January 14-19
International Furniture Show (01-930 7251) — Cologne

January 15-18
Asian Aerospace Exhibition (01-891 5051) — Singapore

January 22-28
International Pollution Monitoring and Control Exhibition and Conference—ENVIROTECH (01-221 2043) — Bombay

January 24-27
Duty Free Exhibition (01-642 7688) — Dubai

BUSINESS AND MANAGEMENT CONFERENCES

January 7-8
Unicom Seminars: Fundamentals of 3D graphics (01-940 7716) — Forum Hotel, SW7

January 13-14
Institute of Personnel Management: The secretary in personnel management (01-946 9100) — Kensington Close Hotel, W8

January 13-14
FT Conferences: Aerospace in Asia and the Pacific Basin (01-621 1355) — Singapore

January 13
Brunel Institute: How effective is your training function? (0895 56461) — Brunel University, Uxbridge

January 14-15
Crown Eagle Communications: Effective project management (01-242 4111) — Tower Hotel, E1

January 16
Oyez/IBC: Bankers' security and the new insolvency act (01-236 4080) — Royal Lancaster Hotel, W2

January 20
Frost and Sullivan: The impact of emerging technologies on your firm (01-935 3190) — Hyatt Carlton Tower, W1

January 21-22
FT Conferences: Regulating the Financial Services Industry (01-621 1355) — Hotel Inter-Continental, W1

January 22
Brunel Institute: How effective is your personnel department? (0895 56461) — Brunel University, Uxbridge

January 26-27
Confederation of British Industry: Pakistan—Trade investment and investment opportunities for the UK (01-379 7400) — Karachi

January 27-29
FT Conferences: City Seminar (01-621 1355) — Skinners' Hall, EC4

January 28-30
Crown Eagle Communications: Advancing in management (01-242 4111) — Tower Hotel, E1

January 29
The Industrial Society: Industry year 1986—ideas for industry year and how to make them *happen. . . .* (01-262 2401) — Moorgate, EC2

January 30-31
Euromoney Conferences: Securitisation (01-236 3288) — Hotel Inter-Continental, W1

February 3-7
Brunel Institute: Techniques of scenario planning (0895 56461) — Brunel University, Uxbridge

February 4-5
Crown Eagle Communications: Successful public relations (01-242 4111) — Tower Hotel, E1

February 6
Oyez/IBC: The Insolvency Act 1985—the key issues (01-236 4080) — Barbican Centre, EC2

February 12-13
Risk Research Group: The London insurance market and its future (01-236 2175) — Hilton Hotel, W1

February 18
Longman Seminars: National insurance contributions—problebs and planning (01-242 4111) — Barbican Centre, EC2

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WORLD STOCK MARKETS

NEW YORK-DOW JONES

	Dec 20	Dec 19	Dec 18	Dec 17	Dec 16	Dec 13	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,543.00	1,543.92	1,542.43	1,554.50	1,553.10	1,535.21	1553.10 (16/12)	1184.96 (4/1)	1553.10 (16/12/85)	41.22 (2/7/32)
Transport	711.26	713.37	716.29	718.67	723.31	722.61	723.31 (16/12)	553.83 (4/1)	723.31 (16/12/85)	12.32 (8/7/32)
Utilities	174.96	173.27	173.63	173.16	171.01	169.80	174.96 (20/12)	146.54 (4/1)	174.96 (20/12/85)	10.5 (28/4/42)
Trading vol		139m	139m	155m	176m	177m	–	–	–	–

	Dec 13	Dec 6	Nov 29	Year Ago (Approx)
Ind Div Yield %	4.12	4.28	4.29	4.99

STANDARD AND POORS

	Dec 20	Dec 19	Dec 18	Dec 17	Dec 16	Dec 13	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	234.17	233.28	232.78	233.82	235.75	233.36	235.75 (16/12)	128.24 (4/1)	235.75 (16/12/85)	3.62 (30/6/32)
Composite	210.94	210.02	209.81	210.66	212.02	209.93	212.02 (16/12)	163.68 (4/1)	212.02 (16/12/85)	4.40 (1/6/32)

	Dec 11	Dec 4	Nov 27	Year Ago (Approx)
Ind div yield %	3.48	3.58	3.52	4.12
Ind. P/E Ratio	14.00	13.91	13.82	10.60
Long Gov Bond Yield	9.54	9.84	9.89	11.37

N.Y.S.E. ALL COMMON

Dec 20	Dec 19	Dec 18	Dec 17	1985 High	1985 Low
121.31	120.75	120.68	121.17	126.90 (16/12)	94.60 (4/1)

RISES AND FALLS

	Dec 19	Dec 18	Dec 17
Issues traded	2,041	2,052	2,071
Rises	824	664	639
Falls	813	958	1,033
Unchanged	404	430	399

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
J. P. Morgan	4,321,300	62¼	+ ⅛	IBM	2,125,800	154¼	+ ½
Am. Tel. & Tel.	3,162,000	25⅛	+ ⅛	Reyn. Ind.	1,780,200	31½	+ 1⅛
Union Carbide	3,058,500	72⅝	+ ⅝	Amer. Express	1,646,200	52⅞	+ ⅛
C with. Edison	2,256,500	29⅞	—	Fannie Mae	1,637,300	25¾	− 1
Texaco	2,154,000	30½	+ ⅝	Exxon	1,614,900	54½	+ ⅛

TORONTO

	Dec 20	Dec 19	Dec 18	Dec 17	1985 High	1985 Low
Metals & Minls	2,068.99	2,076.4	2,074.57	2,124.10	2190.7 (13/2)	1740.82 (31/10)
Composite	2,873.30	2,873.8	2,871.21	2,885.40	2884.3 (17/12)	2348.5 (8/1)
MONTREAL Portfolio	141.36	141.12	141.25	141.98	142.07 (17/12)	117.00 (4/1)

* Indicates pre-close figure

Indices

	Dec. 20	Dec. 19	Dec. 18	Dec. 17	1985 High	1985 Low
AUSTRALIA						
All Ord. (1/1/80)	986.6	986.9	988.1	980.5	1052.2 (25/10)	715.3 (7/1)
Metals & Minls. (1/1/80)	476.0	480.5	477.9	474.8	583.8 (20/5)	362.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/82)	116.35	116.29	115.97	115.85	121.58 (26/11)	68.21 (24/1)
BELGIUM						
Brussels SE (3/1/80)	2855.77	2878.36	2852.95	2887.81	2986.46 (25/11)	2080.7 (18/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	232.88	235.67	232.78	237.57 (24/10)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	252.4	251.8	251.1	253.4	253.4 (17/12)	180.9 (3/1)
Ind Tendance (28/12/84)	147.3	145.5	145.6	147.0	147.5 (20/12)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	626.21	616.51	619.24	616.56	628.21 (20/12)	382.39 (5/1)
Commerzbank (1/12/53)	1871.1	1855.9	1844.6	1836.5	1871.1 (20/12)	1111.8 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1720.16	1726.05	1726.94	1720.45	1762.51 (21/11)	1220.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	449.84	446.98	444.61	444.79	449.84 (20/12)	228.56 (2/1)
JAPAN**						
Nikkei (16/5/49)	13011.09	13115.0	13102.5	13128.9	13128.9 (17/12)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1036.24	1046.25	1045.17	1046.35	1057.55 (10/7)	916.93 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	250.8	247.1	242.6	241.2	250.8 (20/12)	185.8 (3/1)
ANP-CBS Indust (1970)	255.3	251.0	226.0	224.6	255.3 (20/12)	147.9 (5/1)
NORWAY						
Oslo SE (4/1/83)	387.5	392.65	396.10	397.80	412.86 (12/11)	288.18 (2/1)
SINGAPORE						
Straits Times (1966)	600.29	604.15	622.86	658.45	862.65 (7/5)	600.29 (20/12)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	—	1106.1	1108.7	1277.1 (25/11)	829.3 (5/8)
JSE Indust (28/9/78)	—	—	1050.7	1054.1	1049.2 (26/11)	767.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	134.27	134.83	135.97	136.88	137.65 (16/12)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1,716.85	1736.61	1724.08	1715.10	1750.59 (18/12)	1285.52 (9/7)
SWITZERLAND						
Swiss Bank Cpn. (31/12/58)	561.4	560.8	557.6	558.0	561.4 (20/12)	388.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	—	252.1	251.6	255.0	255.2 (16/12)	184.6 (4/1)

** Saturday December 14: Japan Nikkei (c). TSE (c).

Base value of all indices is 100, except: JSE Gold—255.7; JSE Industrial—264.3; Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

AUSTRIA

1985 High	1985 Low	Dec. 20	Price Sch
448	225	Credit'stalt Pfd.	448
614	330	Goesser	610
1,950	400	Interunfall	1,490
—	-	Jungbunzlauer*	41,500
–	—	Laenderbank*	2,060
805	335	Perlmooser	720
220	144	Steyer-Daimler	158
949	245	Veitscher Mag	949

DENMARK

1985 High	1985 Low	Dec. 20	Price Knr.
416	257	Andelsbanken	407
725	520	Baltic Skand	585
353	259	CopHandelsbank	346xr
675	455	D. Sukkerfab	470
399	250	Danske Bank	394
1,480	1,055	De Danske Luft.	1,480
270	129	East Asiatic	243
1,080	770	Forenede Brygg.	1,075
255	88	Forenede Damp.	224
685	325	GNT Hldg	650
640	340	I.S.S.B.	610
815	465	Jyske Bank	805
1,895	1,165	Novo Inds	1,285
344	300	Privatbanken	333
525	280	Provinsbanken	473
349	217	Smidth (F.L.) B.	325
1,150	880	Sophus Berend.	980
530	341	Superfos	341

FRANCE

1985 High	1985 Low	Dec. 20	Price Frs.
1,775	1,429	Emprunt 4½% 1973	1,452
8,829.9	7,030	Emprunt 7% 1973	7,300
300	235.2	Accor	292.5
720	508	Air Liquide	620
605	439	BIC	495
2,070	1,361	Bongrain	1,595
920	602	Bouygues	920
2,620	1,976	BSN Gervais	2,590

BELGIUM/LUXEMBOURG

1985 High	1985 Low	Dec 20	Price Frs.
2,600	1,750	B.B.L.	2,545
9,600	0,750	Banq. Gen Lux	9,600
9,300	5,440	Banq. Int. A. Lux	9,300
9,010	4,380	Bekaert B.	8,790
2,900	2,260	Ciment CBR.	2,860
287	197	Cockerill	197
9,500	5,530	Delhaize	8,600
4,030	2,770	EBES	3,845
12,925	8,000	Electrobel	10,925
2,380	1,855	Fabrique Nat.	2,075
5,250	2,855	GB Inno BM	4,980
2,780	1,835	GBL (Brux)	2,500
4,620	3,030	Generale Bank	4,620
5,250	3,575	Gevaert	4,970
7,390	5,170	Hoboken	5,700
3,050	2,025	Intercom	3,040
22,600	7,620	Kredietbank	11,200
11,900	9,450	Pan Hldgs	9,930
7,550	5,560	Petrofina	6,650
18,200	10,050	Royale Belge	18,200
2,415	1,615	Soc. Gen. Belge.	2,275
8,500	6,770	Sofina	8,150
6,590	3,825	Solvay	6,150
1,688	870	Stanwick Intl.	1,140
5,690	3,665	Tractionel	4,830
6,830	4,500	UCB	6,550
4,500	2,005	Wagon Lits	4,030

AUSTRALIA

1985 High	1985 Low	Dec. 20	Price Aust. $
5.95	4.28	ANZ Group	4.28xa
2.46	1.75	Ampol Pet	2.25
1.22	0.75	Ashton	1.12
3.1	1.88	Aust. Cons. Ind.	2.78
3.4	2.2	Aust. Guarantee.	3.45
3.0	2.28	Aust. Nat. Inds.	2.68
3.10	2.4	APM	2.84
12.0	4.7	Bell Group	11.6
5.36	2.12	Bell Res	5.16
2.05	0.97	Bond Corp Hldgs	1.8xc
3.86	3.06	Boral	3.18
2.49	1.51	Bougainville	1.92
4.45	3.45	Brambles Ind	4.25
2.65	1.9	Bridge Oil	1.96
9.2	4.34	B. H. Prop	8.66
6.5	4.28	CRA	6.3

HONG KONG

1985 High	1985 Low	Dec. 20	Price H.K.$
27.2	19.2	Bank East Asia	24.5
21.6	10.6	Cheung Kong	21
17.4	12.3	China Light	14.9
1.6	0.54	Evergo	0.56
54	40.25	Hang Seng Bank.	45.25
2.42	1.56	Henderson Land.	2.12
14.3	5.40	HK China Gas	13.9
9.00	6.65	HK Electric	8.35
7.7	5.65	HK Kowloon Wh.	7.4
6.95	3.82	HK Land	6.6
7.85	6.85	HK Shanghai Bk.	7.55
10.1	4.97	HK Telephone.	9.95
28.0	18.5	Hutchison Wpa	26.6
1.0	0.65	Intnl. City	0.99
13.8	8.05	Jardine Math	13.3
8.65	5.1	New World Dev.	6.9
2.75	1.95	Orient O'seas	1.99
13.9	7.9	SHK Props	12.5
2.05	0.85	Shell Elect	0.91
30.5	20.3	Swire Pac A	30.25
8.1	5.1	TV-B	6.3
2.7	1.65	World Int. H'ldgs	2.62

SOUTH AFRICA

1985 High	1985 Low	Dec. 20	Price Rand
1.98	1.15	Abercom	1.85
9.7	6.65	AE & CI	9.15
70.25	46.0	Allied Tech	54.5
62.5	39	Anglo Am Coal	57
39.75	22	Anglo Am Corp	39.25
696	151	Anglo Am. Gold	200

JAPAN

1985 High	1985 Low	Dec. 21	Price Yen
1,555	1,040	Ajinomoto	1,110
755	415	All Nippon Air	706
2,097	1,195	Alps Electric	1,740
1,100	621	Asahi Chem	803
928	769	Asahi Glass	880
975	723	Bank Tokyo	765
576	500	Bridgestone	527
745	560	Brother Inds	560
1,480	880	Canon	1,120
2,060	1,350	Casio Comp.	1,790
1,270	840	Chugai Pharm	1,050
760	605	Daiei	691
1,990	1,320	Dai Ichi Kan. Bk.	1,570
337	197	Dai Nippon Ink	319
1,330	952	Dai Nippon Ptg	1,310
995	532	Daiwa House	894
1,060	631	Daiwa Sec.	785
2,002	1,183	Eisai	1,350
9,300	6,050	Fanuc	7,430
1,840	1,290	Fuji Bank	1,540
2,180	1,650	Fuji Film	19,90
1,330	808	Fujisawa	891
1,260	865	Fujitsu	1,060
455	312	Furukawa Elect.	332
2,450	1,600	Green Cross	2,120
973	577	Heiwa Real Est	821
893	630	Hitachi	745
1,210	1,020	Hitachi Credit	1,120
1,550	1,010	Honda	1,190
1,640	844	Indl. Bk. Japan	1,040
218	140	Ishikawajima Hr.	158
489	320	Isuzu Motors	350
475	323	Itoh C.	390
3,190	2,270	Ito-Yokado	2,960
8,470	4,860	JAL	8,400
980	660	Jusco	955
598	269	Kajima	482
997	724	Kao Soap	972
213	134	Kawasaki Steel	135

GERMANY

ITALY

NETHERLANDS

NORWAY

SINGAPORE

SWEDEN

SWITZERLAND

SPAIN

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices December 20

We regret that not all Canadian closing prices were available for this edition because of a computer failure.

MONTREAL

Closing prices December 20

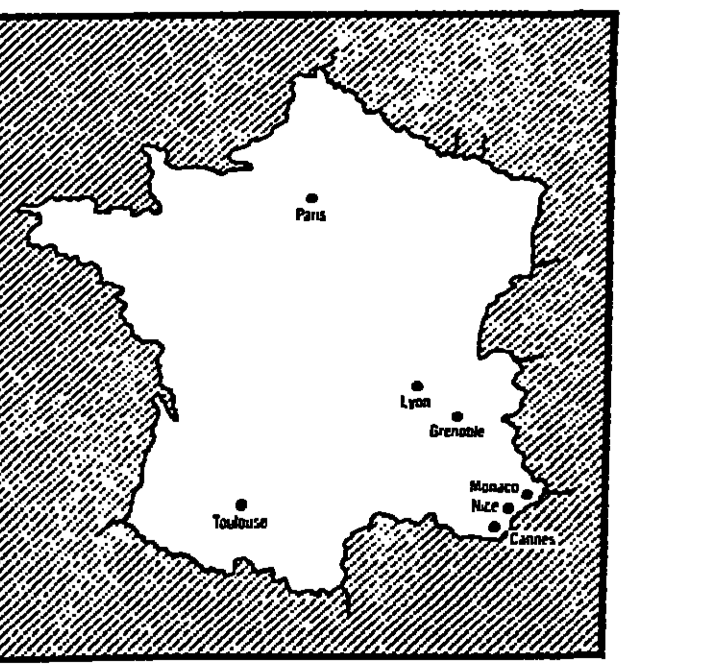
Total Sales 4,079,163 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices, December 20*

Continued from Page 31

NYSE COMPOSITE CLOSING PRICES

Continued from Page 31



Closing prices, December 20

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26¾	16	AAR	.56	2.2	16	315	25¾	24¾	25⅝	+⅞
20⅛	10⅛	AGS			16	97	19¾	19½	19¾	+¼
50¾	33½	AMR			7	4561	41⅛	40¾	41	−⅜
24¾	18⅝	AMR pf	2.18	9.3		11	23¾	23½	23½	
25⅞	23¼	ANR pf	2.67	11		1	23⅞	23⅞	23⅞	−⅜
11⅞	7⅝	APL			5	68	11	10⅝	11	+¼
16¾	9	ARX			15	35	16¼	16⅛	16⅛	−⅛
55⅝	32¾	ASA	2a	5.9		459	34⅝	33⅞	34	−⅛
27	10½	AVX	.32	2.2		521	14½	14	14⅜	+⅛
28⅛	20⅝	AZP	2.72	10	8	1976	26¾	26	26¾	
72	39⅞	AbtLab	1.40	2.1	18	4382	66⅞	66⅛	66⅝	+⅝
26⅝	19⅝	AccoWd	.50	1.9	19	310	26⅛	25⅝	26⅛	+½
24¾	10	AcmeC	.40	3.5	16	246	11⅞	11⅜	11½	−⅛
10½	7	AcmeE	.32b	3.9	13	322	8⅝	8	8½	+½
19½	15½	AdaEx	1.93e	9.9		101	19⅝	19	19⅝	+⅜
22⅝	14	AdmMI	.40	1.9	9	69	21⅛	20½	21⅛	+⅝
18⅝	8⅝	AdvSys	.53t	3.2	15	229	16⅝	16½	16½	−½
36⅝	22⅞	AMD			42	1660	29⅞	28⅝	28⅞	−¼
12⅝	10⅝	Adobe n				535	12⅝	11⅞	11⅞	−⅛
17	14⅝	Adob pf	1.84	11.		90	16½	16¼	16½	+¼
17⅝	15¼	Adob pf	2.40	14		48	u17⅞	17⅝	17⅞	+⅛
13¼	7	Advest	.12a	.9	18	778	u13⅝	12⅞	13⅛	+¼
53⅝	35¼	AetnLf	2.64	5.0	17	2604	53⅛	52	52⅝	−⅛
57½	52½	AetL pf	5.19e	9.6		18	53⅞	53⅝	53⅞	−⅜
48¼	24¾	Ahmns	1.20	2.6	8	2342	46¾	46⅛	46½	+¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 31

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
53	26⅛	Unocal	1.20b	4.4	7	3326	27½	27⅛	27⅜	+⅜
141½	66¾	Upjohn	2.80	2.1	22	1303	132	130	130⅝	−¼
43	32½	USLIFE	1.12	2.9	11	341	38½	37¾	38¼	+½
34¼	30⅝	USLF pf	3.33	9.8		2	34	34	34	+¼
11	9⅛	UslfeFd	1.08a	10.		43	11	10⅞	10¾	−⅛
26⅞	21	UtaPL	2.32	9.9	12	1444	26	23⅝	23⅝	−2
28	22¾	UtPL pf	2.80	10.		24	27¼	26¾	26¾	−½
28¾	23⅝	UtPL pf	2.90	10.		13	28	27⅞	27⅞	
24	19	UtPL pf	2.36	10.		101	23⅝	23¼	23⅜	−⅛
21⅛	16⅞	UtPL pf	2.04	10.		20	20½	20¼	20¼	−½
27	19¼	UtilCo	1.40b	6.0	8	78	u27½	23⅛	23⅜	+⅛
35½	31¾	UtilCo pf	4.13	12.		8	35¼	34⅞	35¼	+¼
		V V V								
54	25⅝	VF Corp	1	2.4	13	1097	52⅞	52¼	52¾	−⅛
14¾	6	Valero			144	1061	13⅛	12¾	13	+⅛
25⅝	15⅝	Valer pf	3.44	14.		17	24⅞	24¾	24¾	+⅛
3⅛	2¼	Valeyln				111	2⅝	2⅝	2⅝	
29¼	19¼	VanDrn	1	3.4	9	147	u29⅝	28⅝	29¼	+⅝
5¾	2¼	Varco				34	4¾	4½	4⅝	
42⅜	22½	Varian	.26	.9	24	262	28¼	27¾	28¼	
15¾	9¾	Varo	.40	2.9	39	216	14⅛	13⅞	13⅞	−⅛
25⅝	13	Veeco	.40	2.3	18	525	17½	17¼	17½	+¼
12	3⅝	Vendo			17	109	11	10¾	10¾	−⅛
12	9⅞	VestSe	1.20	10.		50	11⅞	11¾	11¾	
13½	11⅜	Vestrn n			14	322	12⅞	12⅝	12¾	
66¼	32⅛	Viacom	.48	.9	22	1475	57½	56¼	55⅞	−⅝
49½	39½	VaEP pf	5	11		z130	47	46	47	+1
85½	66	VaEP pf	8.84	10		z3020	u88	85	88	+3
97⅜	74¾	VaEP pf	9.75	10		z5240	97¼	97	97¼	+¼
72⅞	55	VaEP pf	7.20	10		z300	70	70	70	−2¼
74¼	58	VaEP pf	7.45	10.		z1000	73¼	73	73	−1¼
32	13½	Vishay s			17	6	29⅜	29⅛	29⅜	+½
85	33½	Vornad			25	33	70¼	69⅝	70¼	+⅜
90½	66½	VulcnM	2.80	3.1	14	102	90½	88¾	90½	+1
		W W W								
31½	26	WICOR	2.42	7.7	9	74	u31⅝	31¼	31½	
25¾	16½	Wackht	.60	2.3		82	u25⅞	25¼	25⅞	+⅝
10¾	6	Wainoc				269	6¾	6⅜	6½	
34½	18⅝	WlMrt s	.14	.4	30	10754	32¾	31¾	32¼	+½
30¼	21⅝	Walgrns	.50	1.7	19	1049	29	28¼	28⅞	−⅞
25⅝	17⅜	WkHRsg	1.48			478	23¼	22⅞	23¼	+⅛
40⅝	30½	WalCSv	.50	1.3	18	160	40	39¼	40	
42¾	30¾	WaltJm	1.40	3.3	8	843	42¾	41¾	42¾	+1
10⅛	8¼	WaltJ pf	1	10		z100	10	10	10	−⅛
32½	17¾	Warnco	.88	2.9	16	3901	30⅞	30½	30¾	+1⅛
36⅝	19⅞	WrnCm				2848	35⅝	34½	35⅜	+⅞
49⅝	33⅝	WarnrL	1.56	3.2	16	7515	49¼	48½	49	
23½	17¼	WashGs	1.66	7.2	10	347	23⅛	22⅝	23⅛	+⅝
28¼	21	WshNat	1.08	4.1	8	131	26½	26⅛	26⅛	
24¾	18⅛	WshWt	2.48	10.	9	420	u25	24½	24⅞	+⅜
38	20½	Waste s				2188	37⅜	36¼	36⅝	−⅛
28¾	20⅝	WatkJn	.36	1.3	12	355	26⅞	26½	26⅞	+⅛
12½	8¾	WayGos	.20	1.8	11	57	11⅞	11¼	11¼	−½
12½	3⅝	WeanU				60	4⅝	4⅜	4½	+⅛
23⅜	16½	WebbD	.20	.9	11	415	21¼	20¼	21¼	+1
20½	19	WeinR n	.39i	2.0		77	19⅞	19⅝	19⅝	−¼
42	23¼	WeisM s	.50	1.2	23	54	41¼	40¼	41¼	+⅞
65	45½	WellsF	2.72	4.3	8	207	64	63½	63⅞	+⅛
15⅛	8	Wilfred	.12	.9	14	14	12⅞	12⅝	12⅞	+¼
14¾	7¾	WillcxG	.10	.7	6	117	14¼	14⅛	14⅛	−⅛
33½	26¼	William	1.40	4.8	21	1040	28⅞	28⅝	28⅞	
6⅝	2	WilmEl				492	6⅝	5⅞	6⅝	+¼
7⅝	5⅛	WilshrO	.10b	1.9	15	137	5⅜	5⅛	5¼	
38⅞	30½	WinDix	1.74	4.6	15	311	38	36¾	38	+1¼
20⅛	8½	Winnbg	.20	1.9	15	2393	11⅝	10⅜	10¾	−⅝
9⅝	5⅛	Winner				121	7⅝	7⅜	7½	
9⅜	3¾	WinterJ				110	9⅜	9	9¼	+¼
40½	30¾	WiscEP	2.48	6.2	9	1017	40⅜	39⅝	40⅛	+¼
93½	72¾	WisE pf	8.90	9.8		z198	90⅞	90	90⅞	+1¼
81	63¼	WisE pf	7.75	9.6		z360	81	81	81	+1
40⅜	28⅛	WiscPL	2.76	6.9	9	89	40¼	39¾	40¼	+¼
40¾	29¾	WiscPS	2.86	7.2	10	68	40	39⅝	40	+⅛

Continued on Page 29

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices December 20

OVER-THE-COUNTER

Nasdaq national market, closing prices, December 20

Continued on Page 29

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Banks review dollar policy

BY COLIN MILLHAM

Currency trading was quiet, *but rather nervous ahead of the* end of year. Attention centred around the dollar and Friday's flash estimate of US fourth quarter Gross National Product growth, but this turned out to be very confusing and had little direct impact on the foreign exchanges. Fourth quarter growth, according to the estimate, was 3.2 per cent. *This was* within the region of most estimates, but may have been distorted by changes in the data base. Consumption was down, and growth seemed based on stockbuilding and Government spending.

At the same time the overall picture presented a view of a sluggish economy. Third quarter growth was revised down to 3 per cent from 4.3 per cent, and in the second quarter to 1 per cent from 1.9 per cent.

Some economists had been looking for a growth figure of no more than 2 per cent for the fourth quarter, after a recent fall in US retail sales. Car sales have been particularly depressed after the end of incentive schemes to shift large stocks in September.

Early in the week it was announced that November US housing starts fell by 12.2 per cent to 1.55m, while US M1 money supply in the week to December 9 fell $3.2bn to $623bn.

In general this seemed to be encouraging news for those expecting a cut in the Federal Reserve's discount rate.

On the other hand the dollar gained some support from a forecast of lower West German trade surpluses in 1986, according to a Bundesbank report. Domestic demand is sucking in more imports. In November Germany's current account surplus narrowed to DM 4.7bn, from DM 6.2bn in October, while the trade surplus fell to DM 7bn, from DM 8.7bn.

Apart from the damage to the German trade position from a further fall in the value of the dollar, the authorities in Bonn also seemed concerned that the flow out of the US currency into the D-mark will cause embarrassing strains within the European Monetary System. The Bank of France has probably intervened from time to time to keep the French franc in line with the D-mark, and Germany seems reluctant to be accused of political bias ahead of next year's French elections, by allowing the D-mark to rise so far that a devaluation of the franc becomes inevitable.

The Japanese authorities also gave the impression of wanting to prevent a further fall of the dollar against the yen. Mr Satoshi Sumita, governor of the Bank of Japan, said last week that short-term interest rates would no longer be kept high to push up the value of the *Japanese currency.*

Although the latest economic evidence from the US continues to point to a weaker dollar, the reaction in Germany and Japan seems to be that the aims of the Group of Five finance ministers meeting in late September has been largely met, and that any further decline by the dollar will be much more gradual. Central banks have shown their willingness to intervene if the dollar starts to appreciate, but also appear *increasingly* content with levels of around DM 2.50 and Y200 for the US currency.

£ IN NEW YORK

	Dec. 20	Prev. close
£ Spot	$1.4290-1.4300	$1.4280-1.4255
1 month	0.42 0.41pm	0.46-0.44pm
3 months	1.29 1.26pm	1.31-1.28pm
12 months	4.55-4.45pm	4.58-4.48pm

Forward premiums and discounts apply to the U.S. dollar.

CURRENCY MOVEMENTS

Dec. 20	Bank of England Index	Morgan Guaranty Change %
Sterling	78.1	−12.9
U.S. dollar	127.4	+16.3
Canadian dollar	81.2	−11.2
Austrian schilling	121.1	+6.0
Belgian franc	92.4	−9.4
Danish Kroner	83.3	−2.5
Deutsche mark	133.4	+11.6
Swiss franc	150.7	+12.2
Guilder	120.4	+6.9
French franc	69.5	−11.8
Lire	44.9	−19.7
Yen	177.2	+39.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Dec. 20	£	$
Arg'tina	1.1392-1.1415	0.8000-0.8010
Aus'alia	2.0810 2.0850	1.4657 1.4650
Brazil	14,396 14,478	10.110 10.160
Finland	7.8254 7.8489	5.5025 5.5125
Greece	213.30-214.34	150.00 150.50
H'kong	11.1072 11.1172	7.8055-7.8075
Iran	122.20*	84.70*
Kuwait	0.4135 0.4145	0.29030 0.29050
Lux'burg	73.25 73.35	51.40-51.50
Malay'as	3.4550 3.4650	2.4280 2.4300
N'Z'land	2.8555 2.8655	2.0008-2.0161
Saudi Ar.	5.2015-5.2080	3.6502 3.6507
Sin'pore	3.0139 3.0239	2.1180 2.1200
S.Af. (Cm)	3.7930-3.8266	2.6752-2.6820
S.Af. (Fn)	5.0406 5.2256	3.5398-3.6697
U.A.E	5.2325 5.2410	3.6720-3.6740

* Selling rate.

CURRENCY RATES

Dec. 20	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.764791	0.610638
U.S.$	7½	1.08738	0.869549
Canadian $	9.20	*	1.21389
Austria Sch.	4	19.2368	15.3883
Belgian Fr	9¾	65.9212	44.6905
Danish Kr	7	9.94518	7.95116
D'mark	4	N/A	2.18752
Guilder	5	3.08598	2.46430
French Fr	9½	N/A	6.71118
Lira	15½	N/A	1493.02
Yen	5	220.847	176.258
Norway Kr	8	8.36521	6.69074
Span'h Pta	—	170.498	136.345
Swedish Kr	10½	N/A	6.70205
Swiss Fr	4	2.29873	1.83823
Greek Dr'ch	20½	N/A	130.945
Irish Punt	—	N/A	0.713330

* C$/SDR rate for Dec 19: 1.51821.

POUND SPOT — FORWARD AGAINST POUND

Dec 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4200-1.4260	1.4240-1.4250	0.41-0.38c pm	3.28	1.30-1.26 pm	3.59
Canada	1.9830-1.9922	1.9870-1.9880	0.36-0.27c pm	1.84	1.25-1.12 pm	2.37
Nethlnd	4.02-4.05	4.03-4.04	2¼-1⅞c pm	5.96	6-5½ pm	5.70
Belgium	72.94-73.38	73.25-73.35	15-2c pm	1.39	43-24 pm	1.85
Denmark	12.97-13.04	13.02-13.03	4-2¾ore pm	3.20	10½-9¾ pm	3.07
Ireland	1.1628-1.1710	1.1696-1.1706	0.10dis-0.03 pm	3.59	0.16ds-0.17pm	1.70
W. Ger	3.5686-3.5880	3.5745-3.5755	2¼-1⅞pf pm	7.13	6½-5¾ pm	6.71
Portugal	226.65-230.57	227.48-230.57	250-685c dis	−24.26	500-1365ds	−15.75
Spain	225.25-223.80	223.00-223.80	10-80c dis	−2.41	150-230 dis	−3.40
Italy	2436½-2454	2447½-2448½	9-15lire dis	−6.12	22-33 dis	−4.57
Norway	10.91¾-10.97¾	10.96¼-10.97¼	par-1½ore dis	−0.73	1¼-3¼ dis	−0.91
France	10.94½-11.02¾	10.99¼-10.99¾	½-2¾c dis	−1.63	3¾-7½ dis	−2.09
Sweden	10.93½-10.99	10.97½-10.98½	1-2ore dis	−1.63	1¼-2¼ dis	−0.81
Japan	287-290½	288-289	1¼-¾y pm	4.15	3½-2⅞ pm	4.50
Austria	25.06-25.23	25.17-25.38	9¾-8½gro pm	4.15	32½-28	4.75
Switz	3.00-3.01¾	3.00¾-3.01¾	2-1¾c pm	7.02	5¾-5½	7.33

Belgian rate is for convertible francs. Financial franc 73.55-73.65. Six-month forward dollar 2.55-2.50c pm. 12-month 4.60-4.45c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4200-1.4260	1.4240-1.4250	0.41-0.38c pm	3.28	1.30-1.26c pm	3.59
Ireland†	1.2160-1.2232	1.2206-1.2215	0.35-0.25c pm	2.95	1.25-0.95c pm	3.60
Canad	1.3975-1.3984	1.3957-1.3961	0.15-0.18c dis	−1.41	0.40-0.45dis	−1.21
Nethlnd.	2.8275-2.8395	2.8310-2.8320	0.55-0.52c pm	2.26	1.42-1.39 pm	1.98
Belgium	51.30-51.51	51.40-51.50	6-8c dis	−1.63	19-23 dis	−1.63
Denmark	9.12¼-9.15¾	9.14-9.14½	0.10-0.60ore dis	−0.45	1-1.50 dis	−0.54
W. Ger	2.5075-2.5200	2.5095-2.5105	0.65-0.59pf pm	2.90	1.94-1.89 pm	3.04
Portugal	160-161½	160½-161½	200-450c dis	−24.32	500-1100ds	−19.96
Spain	156.35-156.90	156.65-156.75	55-100c dis	−5.93	250-325 dis	−7.21
Italy	1713-1719½	1718¼-1718¾	15-17lire dis	−11.19	38-40 dis	−8.85
Norway	7.67¼-7.70½	7.69½-7.70½	2½-3ore dis	−4.27	8½-9 dis	−4.54
France	7.6975-7.7275	7.7150-7.7200	3-3½c dis	−5.05	10-12 dis	−5.70
Sweden	7.69½-7.71¾	7.70½-7.71½	3.10-3.50ore dis	−5.13	8.50-8.90ds	−4.51
Japan	202.55-203.15	202.55-202.65	0.05-0.02y pm	0.21	0.38-0.34 pm	0.63
Austria	17.63½-17.70¾	17.69½-17.10	1.70-0.90gro pm	0.88	6.50-4.00 pm	1.18
Switz.	2.1080-2.1170	2.1105-2.1115	0.65-0.59c pm	3.49	1.90-1.84 pm	3.53

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 51.60-51.70.

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.4245	1.4206	1.4117	1.3983	1.3793
D-Mark	3.5750	3.5550	3.5161	3.4584	3.3678
French Franc	10.9950	11.0142	11.0515	11.0589	10.9973
Swiss Franc	3.0075	2.9904	2.9541	2.9021	2.8088
Japanese Yen	288.50	287.62	285.69	281.88	275.54

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.6905	−0.32	+1.09	±1.5425
Danish Krone	8.12857	7.95116	−2.18	−0.77	±1.6421
German D-mark	2.23840	2.18752	−2.22	−0.81	±1.1465
French Franc	6.86402	6.71118	−2.23	−0.82	±1.3654
Dutch Guilder	2.52208	2.46430	−2.29	−0.88	±1.5162
Irish Punt	0.724578	0.713330	−1.55	−0.14	±1.6673
Italian Lira	1520.60	1493.02	−1.81	−1.26	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth	3-mth.	6-mth.	12-mth.
1.4245	1.4206	1.4117	1.3983	1.3793

IMM—STERLING $s per £

	Latest	High	Low	Prev
March	1.4145	1.4180	1.4095	1.4130
June	1.4020	1.4020	1.3950	1.3990
Sept	1.3900	1.3900	1.3880	1.3880
Dec	—	—	—	1.4370

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.4130	1.4110	1.4095	1.4086
June	1.3990	—	—	1.3965
Sept	1.3880	—	—	1.3855

Estimated volume 10 (42)
Previous day's open int 1,866 (1,866)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.4003	0.4004	0.4000	0.4007
June	0.4034	—	—	0.4038

Estimated volume 2 (2)
Previous day's open int 170 (17)

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	84-29	85-13	83-27	84-12
June	84-00	84-16	82-28	83-12
Sept	83-08	83-21	82-05	82-17
Dec	82-19	82-29	—	81-28
March	82-01	82-13	80-27	81-06
June	81-18	81-22	80-22	80-21
Sept	—	—	—	—
Dec	80-26	80-28	79-12	79-27
March	80-17	—	—	79-17
June	80-10	—	—	79-09

US TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
March	93.27	93.36	93.16	93.27
June	93.22	93.30	93.12	93.22
Sept	93.01	93.06	92.93	93.01
Dec	—	—	—	92.92
March	92.48	92.50	92.41	92.48
June	92.23	92.25	92.16	92.23
Sept	91.98	92.00	91.93	91.98
Dec	92.73	92.77	92.65	92.73

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	92.39	92.40	92.33	92.38
March	92.66	92.75	92.56	92.66
June	92.55	92.64	92.51	92.56
Sept	92.32	92.36	92.36	92.33

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
March	92.35	92.44	92.20	92.33
June	92.24	92.34	92.12	92.24
Sept	92.01	92.09	91.90	92.02
Dec	91.72	91.79	91.62	91.74
March	91.43	91.50	91.34	91.45
June	91.15	91.20	91.06	91.18
Sept	90.89	90.96	90.81	90.92
Dec	90.65	90.71	90.59	90.68

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

Strike price	Calls—Last March	June	Sept	Vol	Puts—Last March	June	Sept	Vol
90.00	2.30	2.22	—	—	—	0.01	—	—
90.50	1.90	1.74	—	—	—	0.03	—	—
91.00	1.31	1.28	1.18	—	0.01	0.07	0.21	—
91.50	0.84	0.87	0.82	—	0.04	0.16	0.35	—
92.00	0.43	0.52	0.53	20	0.13	0.31	0.56	30
92.50	0.16	0.27	0.30	30	0.36	0.56	0.83	—
93.00	0.04	0.11	0.15	—	0.74	0.90	1.18	—

Previous day's open int. Calls 1,886, Puts 2,021

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike price	Calls—Last Jan	Feb	Mar	June	Sept	Puts—Last Jan	Feb	Mar	June	Sept
1.20	—	—	22.47	22.47	—	—	—	0.02	0.33	—
1.25	—	—	17.47	17.47	—	—	—	0.11	0.83	—
1.30	—	—	12.47	12.47	12.47	—	—	0.46	1.77	3.40
1.35	7.47	7.47	7.56	8.22	9.13	0.06	0.68	1.36	3.32	5.33
1.40	2.95	3.77	4.36	5.47	6.61	0.76	2.10	3.15	5.57	7.81
1.45	0.61	1.54	2.18	3.43	4.83	3.41	4.87	5.96	8.53	10.83
1.50	0.05	0.49	0.95	2.03	3.15	7.86	8.82	9.76	12.13	14.35

Estimated volume total, Calls 5, Puts 188
Previous day's open int. Calls 5,843, Puts 7,118

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Jan	Feb	Mar	June	Sept	Puts—Last Jan	Feb	Mar	June	Sept
1.20	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.30	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.35	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.40	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.45	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.50	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Previous day's open int. Calls n.a., Puts n.a.

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Jan	Feb	Mar	June	Sept	Puts—Last Jan	Feb	Mar	June	Sept
1.20	—	—	—	—	—	—	—	—	—	—
1.25	—	—	17.15	—	—	—	—	—	—	—
1.30	—	—	—	—	—	—	—	—	1.50	—
1.35	—	—	—	—	—	—	—	1.10	—	—
1.40	—	—	—	—	—	0.65	1.95	2.90	—	6.55
1.45	0.45	—	1.90	3.30	—	—	—	—	—	—
1.50	—	—	0.80	—	—	—	—	—	—	—

Previous day's open int. Calls 55,935, Puts 38,800
Total volume (noon) 2,454

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	110-26	—	—	110-19
March	111-01	111-02	110-26	110-25
June	111-12	111-08	111-08	111-04
Sept	111-22	—	—	111-14

Estimated volume 546 (589)
Previous day's open int 4,315 (4,305)
Basis quote (clean cash price of 13½% Treasury 2004-08 less equivalent price of near futures contract) −4 to +6 (32nds).

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
Dec	96-10	96-11	96-10	96-08
March	96-25	96-25	96-23	96-24

Estimated volume 101 (143)
Previous day's open int 872 (853)

FT-SE 100 INDEX

	Close	High	Low	Prev
Dec	139.20	139.60	139.00	139.60
March	140.35	140.50	140.30	140.70

Estimated volume 255 (193)
Previous day's open int 2,828 (2,838)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Dec*	88.43	88.44	88.35	88.94
March	88.93	88.83	88.79	88.39
June	89.04	89.04	89.00	88.79
Sept	89.02	88.99	88.99	88.38
Dec	88.98	—	—	—

Estimated volume 755 (2,412)
Previous day's open int 6,710 (6,131)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	92.30	92.32	92.23	92.28
June	92.21	92.22	92.15	92.16
Sept	91.97	92.00	91.94	91.93
Dec	91.68	91.71	91.68	91.64

Estimated volume 2,696 (2,743)
Previous day's open int 17,946 (17,787)

US TREASURY BONDS 8% $100,000 32nds of 100%

Dec	84-17	84-19	83-28	84-26
March	83-19	—	—	83-28
June	—	—	—	82-24

Estimated volume 2,648 (2,023)
Previous day's open int 2,881 (3,131)

EXCHANGE CROSS RATES

Dec20	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.425	3.575	288.5	11.00	3.008	4.035	2448.	1.988	73.30
$	0.702	1	2.510	202.5	7.718	2.111	2.833	1718.	1.396	51.46
DM	0.280	0.398	1.	80.70	3.076	0.841	1.129	684.8	0.556	20.50
YEN	3.466	4.938	12.39	1000.	38.11	10.42	13.99	8486.	6.889	254.1
F Fr.	0.910	1.296	3.251	262.4	10.	2.735	3.670	2226.	1.808	66.67
S Fr.	0.333	0.474	1.189	95.93	3.656	1.	1.342	814.0	0.661	24.37
H Fl.	0.248	0.353	0.886	71.50	2.725	0.745	1.	606.7	0.493	18.17
Lira	0.408	0.588	1.460	117.9	4.491	1.229	1.648	1000.	0.812	29.94
C $	0.503	0.717	1.799	145.2	5.532	1.513	2.030	1232.	1.	36.88
B Fr.	1.364	1.943	4.877	393.6	15.00	4.103	5.505	3340.	2.711	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Dec. 20	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	11-11½	11¼-11⅛	11⅝-11¾	11¾-11⅞	11¾-11⅞	11⅞-11⅞
U.S. Dollar	7⅞ 8	8⅛ 8¼	8⅛ 8¼	7⅞-8	7⅞ 8	7⅞ 8⅛
Can Dollar	9 9⅛	9⅛-9⅜	9⅛-9¼	9-9¼	9 9¼	9-9¼
D Guilder	5¾-5⅞	5¾-5⅞	5¾-5⅞	5⅝-5¾	5⅝-5¾	5⅝ 6⅛
Sw. Franc	2⅛-2⅜	10⅛ 10⅜	4⅛ 4¼	4⅛-4⅛	4⅛ 4⅛	4⅛ 4⅛
Deutschmrk	4⅝-5	5¾ 6	4⅞ 5⅛	4⅞-5	4⅞ 4⅞	4⅞-4⅞
Fr. Franc	9 9¼	9½ 10	12½ 13	12½ 13	12½-13	11¼-11¾
Italian Lire	12-13	13½-17½	16-18½	15¾-16¾	15⅛-16⅛	15 15⅞
B.Fr. (Fin)	9-9¼	9-9¼	9⅝-9¾	9⅝-9⅞	9⅛ 9⅜	9 9¼
Br.Fr (Con)	9⅛-9⅜	9⅛-10⅛	9⅞ 10⅛	9⅝ 10⅛	9⅛-9⅜	8⅞-9⅛
Yen	9-9⅛	8⅝-8¾	8⅛ 8⅛	7¼-7⅜	6⅞ 7	6⅛-6⅛
D. Krone	9-9⅛	8¾-9¼	8⅝-9¼	8⅛-9	8⅛ 9	8⅝-9⅛
Asian $ (Sng)	8-8⅛	8-8⅛	8-8⅛	7⅞-8	7⅞ 8	7⅞-8⅛

Long-term Eurodollars: two years 8⅝-8⅞ per cent; three years 8¾-9 per cent; four years 9-9¼ per cent; five years 9⅛-9⅜ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

MONEY MARKETS

London rates higher

Interest rates were slightly *higher on the London money* market last week, as sterling continued to suffer from nervousness *about oil prices.* Three-month interbank rose to 11⅝-11¾ per cent from 11½-11⅝ per cent, but there was no sign of concern about a possible rise in clearing bank base rates. In quiet pre-Christmas trading it *was generally felt that any hope* of a cut in base rates had been postponed well into next year.

UK clearing banks base lending rate 11½ per cent since July 30

Nervousness about the dollar and demand for the Deutsche Mark caused problems for the weaker member of the EMS. The Belgian National Bank raised its bank rate to 9¾ per cent from 8¾ per cent on Friday. The rate *for ordinary advances* was increased to 10¼ per cent from 9 per cent. The rise in rates *followed an increase in Treasury* certificate rates, and came as the result of pressure on the Belgian franc within the European Monetary System.

Also on Friday the German Bundesbank added DM 7bn liquidity to the banking system, as call money rose to 5 per cent from 4.55 per cent in Frankfurt. Heavy tax payments by corporations drained liquidity, and this may have moved the authorities to offer call money at 4.9 per cent via the state-owned Federal Railways Bank. Money was also offered by a similar institution and this helped the call rate to ease back to around 4.9 per cent.

Earlier in the week the Bundesbank provided DM 8.7bn through a 35-day securities repurchase agreement, as DM 8.5bn drained from the market through an expiring agreement. The interest rate charged on the agreement was 4.6 per cent, unchanged from the most recent pact of a week earlier.

NEW YORK

(4 pm)

Prime rate	9½
Broker loan rate	9
Fed funds	7⅞
Fed funds at intervention	7¹⁵⁄₁₆

Treasury Bills & Bonds

One month	6.43
Two month	6.47
Three month	7.33
Six month	7.47
One year	7.59
Two year	8.01
Three year	8.24
Four year	8.43
Five year	8.57
Seven year	8.91
10 year	9.07
30 year	9.32

BANK OF ENGLAND TREASURY BILL TENDER

	Dec. 20	Dec. 13		Dec. 20	Dec. 13
Bills on offer	£100m	£100m	Top Accepted rate of discount	11.1907%	11.1706%
Total of applications	£422.16m	£542m	Average rate of discount	11.1807%	11.1685%
Total allocated	£100m	£100m	Average yield	11.50%	11.48%
Minimum accepted bid	£97.21m	£97.215	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	29%	13%			

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec. 20)

Three months U.S. dollars		Six months U.S. dollars	
bid 7 7/8	offer 8	bid 7 7/8	offer 8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

WEEKLY CHANGE IN WORLD INTEREST RATES

	Dec. 20	change
LONDON		
Base rates	11½	Unch'd
7 day interbank	11⅛	−⅛
3mth interbank	11¾	+⅛
Treasury Bill Tender	11.1807	+0.0224
Band 1 Bills	11⅝	Unch'd
Band 2 Bills	11⅝	Unch'd
Band 3 Bills	11¼	Unch'd
Band 4 Bills	11¼	Unch'd
3 Mth. Treasury Bills	11⅛	+⅛
1 Mth. Bank Bills	11⅞	−⅛
3 Mth. Bank Bills	11¼	+⅛
TOKYO		
One month Bills	6.09375	−0.25
Three month Bills	7.84875	−0.0125
BRUSSELS		
One month	9¾	+1⅛
Three month	9⅛	+1⅛
AMSTERDAM		
One month	5⅝	−⅛
Three month	5⅝	−⅛

	Dec. 20	change
NEW YORK		
Prime rates	9½	Unch'd
Federal funds	7⅞	+⅛
3 Mth. Treasury Bills	7.33	+0.15
6 Mth. Treasury Bills	7.47	+0.17
3 Mth. C D	7.80	+0.10
FRANKFURT		
Lombard	5.5	Unch'd
One Mth. Interbank	4.825	Unch'd
Three month	4.80	Unch'd
PARIS		
Intervention Rate	8¾	Unch'd
One Mth. Interbank	9	+⅛
Three month	9⅛	+⅛
MILAN		
One month	15⅛	+⅛
Three month	15⅛	+¼
DUBLIN		
One month	10¾	−⅝
Three month	12	+1⅛

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

Dec. 20	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.9-5.1	4.75-4.90	4.75-4.90	4.75-4.85	4.75-4.85	5.5
Paris	9⅛	8⅞-9⅛	8⅞-9⅛	9-9¼	—	8¾
Zurich	⅞-1¼	4⅛-4⅜	—	4⅛-4¼	—	—
Amsterdam	5⅛-5⅜	5⅜-5⅝	—	5⅝-5¾	—	—
Tokyo	7.84375	6.09375	—	7.90625	—	—
Milan	14⅝-15	15¼-15⅝	—	14⅞-15¼	—	—
Brussels	5.35	9⅛-9⅜	—	9¾-9⅞	—	—
Dublin	8-8½	10⅝-10⅞	11-11¼	11⅞-12⅛	12-12¼	—

LONDON MONEY RATES

Dec. 20	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	7-11½	11⅛-11½	11⅝-11¾	11⅝-11⅞	11¾-11⅞	11⅝-11⅞
Sterling CDs	—	—	11⅝-11⅝	11⅝-11⅝	11⅝-11⅝	11⅝-11⅝
Local Authority Depos	10¾-11¼	11¼-11⅛	11⅝	11⅝	11⅝	11⅝
Local Author'y Bonds	—	—	12⅛	12	11⅞	11¾
Discount Mkt Depos.	7-11¼	11¼	11½	11⅛	—	—
Company Depos	9-11⅝	11½-11¾	11¾-11⅞	12	—	—
Finance Hse Depos	—	—	12⅛	11⅞	11¾	11⅝
Treasury Bills (Buy)	—	—	11⅝	11⅛	—	—
Bank Bills (Buy)	—	—	11⅝	11¼	11⅛	—
Fine Trade Bills (Buy)	—	—	11⅞	11⅞	11⅞	—
Dollar CDs	—	—	7.95-8.00	7.80-7.85	7.80-7.85	7.90-7.95
SDR Linked Depos	—	—	8⅛-8⅜	8-8¼	7⅞-8⅛	7⅞-8⅛
ECU Depos	—	—	9⅜-9½	9⅜-9⅝	9⅛-9⅜	9-9⅛

Treasury Bills (sell): one-month 11⁷⁄₃₂ per cent; three-month 11⅛ per cent. Bank Bills (sell): one-month 11¾ per cent; three-month 11⁷⁄₃₂ per cent. Treasury Bills: Average tender rate at discount 11.1807 per cent. ECGD Fixed Finance Scheme IV reference rate November 6 to December 3 (inclusive): 11.612 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from December 1 1985. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (nil). Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11¾ per cent; three-six months 11¾ per cent; six-nine months 11 per cent; nine-12 months 11½ per cent. Under £100,000 10¾ per cent from December 12. Deposits held under Series 5 11½ per cent. Deposits withdrawn for cash 7½ per cent.

هكذا من الأصل